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# FINANCIAL TIMES

No. 29,751 \*\*\*

Saturday October 12 1985

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WORLD NEWS

## Reagan has new cancer operation

President Reagan said more skin cancer had been found on his nose, and was removed by the White House doctor in a "minor operation" on Thursday.

He underwent surgery in July to remove cancerous growth in his colon and then had a cancerous patch of skin removed from his nose.

He said Thursday's surgery was part of routine follow-up to the earlier operation. "My nose is clean," he told reporters.

## Murder charge remand

A 15-year-old boy was remanded in custody at Tottenham Juvenile Court charged with murdering PC Keith Blacklock during riots. A fifth teenager has been arrested in connection with his death. Strike, Page 4

## McGlinchey extradited

Dominic McGlinchey, whose conviction of a terrorist murder was overturned in Belfast this week, was freed, then re-arrested and extradited to Ireland to face more charges.

## Terrorism arrests

Several men were arrested by Leicestershire police under the Prevention of Terrorism Act, apparently in connection with Indian Premier Rajiv Gandhi's visit next week.

## Kabul off the agenda

President Reagan and Soviet leader Mikhail Gorbachev will not discuss Afghanistan when they meet next month, Soviet Deputy Foreign Minister Mikhail Kapitsa said.

## Nobel Prize to doctors

The Nobel Peace Prize was awarded to International Physicians for the Prevention of Nuclear War, founded in Geneva in 1980. Page 2

## Missiles out of Greece

The U.S. has begun withdrawing Nike anti-aircraft missiles from Greece under a Nato plan to cut battlefield nuclear arms. Athens said.

## Sri Lankan ceasefire

India persuaded Sri Lanka's Government and Tamil separatist leaders to introduce a ceasefire with agreed monitoring procedures. Page 2

## No ban on CND

Lord Chancellor Lord Hailsham denied that there had been any change in policy to prevent Campaign for Nuclear Disarmament members acting as justices of the peace.

## Ballots 'help Labour'

Pre-strike ballots required by law will help the Labour Party in the next general election by distancing it from union militancy, researcher Roger Undy said. Page 4

## Layoff shortened

Liverpool City Council said the 31,000 workers it plans to lay off will be rehired after four weeks, instead of three months. Page 4

## Helsinki purge likely

Finland's Communist Party looks likely to defy the Soviet Union by purging pro-Moscow activists. Page 2

## Bush goes to China

U.S. Vice-President George Bush arrives in China tomorrow for talks expected to cover trade problems and disagreements over Taiwan.

## Poles flee to Sweden

Three Polish men sought political asylum in Ystad, southern Sweden, after crossing the Baltic in a small yacht.

## Long view

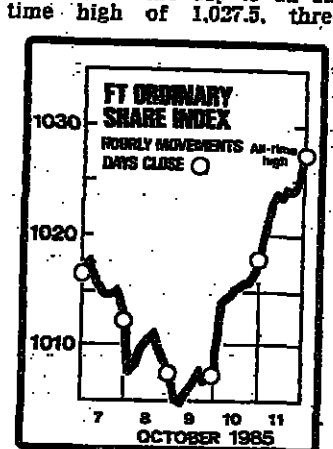
Nearly two thirds of white South Africans believe there will never be black majority rule in their country, an opinion poll showed.

BUSINESS SUMMARY

## Daimler set to buy in AEG

Daimler-Benz, the German vehicle manufacturer, looks set to take a stake—probably a majority—in the AEG electrical group. The deal could be worth more than DM 1bn (£266m). Back Page

## FT ORDINARY SHARE INDEX



points higher than the previous peak reached in January. On the week the index was up 11. Page 12

## BUILDING SOCIETY

recapitalised in September were £200m below target at £597m. Page 4

## ANNUAL INFLATION

rate fell below 6 per cent for the first time since February. Back Page

## ZINC PRICES

in London fell to the lowest level for 28 months as a new round of European producer price cuts began. Page 11

## AITKEN HUME

fund management and banking group, is poised to buy the Sentinel Insurance Company, an unquoted life assurance group, for £16.5m. Page 8

## LOYD'S insurance

market row is set to break out over an imminent settlement between the company and the Inland Revenue over £100m of disputed tax liabilities. Page 4

## CAMPAIGN

to raise up to £6bn to build a fixed link across the Channel began in earnest. Back Page; Feature Page 6

## PRESIDENT REAGAN

nominated Wayne Angell, an economics professor, banker and farmer, and Manuel Johnson, assistant treasury secretary, to be governors of the Federal Reserve, the U.S. central bank. Back Page

## ACORN COMPUTERS

troubled home computer group, made a larger annual loss than was predicted at the time of its second financial restructuring in August. Back Page; Details, Page 8

## IBM, world's biggest

computer group, reported lower earnings for the third consecutive quarter at \$1.47bn (£1.04bn), a 7 per cent decline. Page 9

## ARIANESPACE

which sells European Ariane rocket launches for satellites, has set up its own insurance scheme for clients.

## ZAMBIA currency

the Kwacha, was devalued by 56 per cent as part of an economic recovery plan announced last week.

## HANSON TRUST

began its \$75 per share cash tender offer for SCM. Page 9

## FIRST CHICAGO

tenth biggest U.S. bank, reported a sharp recovery in profitability with third quarter net income of \$56.4m (£39.94m). Page 9

## J. WALTER THOMPSON

advertising agency has won the British Telecom account worth about £14m annually. Page 4

## CHINA

told Japan that it could not accept another large trade deficit next year. Page 3

## PRESIDENT SAYS U.S. ACTED ALONE IN CAPTURING HIJACKERS

# Reagan warns terrorists

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan yesterday hailed the U.S.'s dramatic mid-air capture of four Palestinian hijackers over the Mediterranean as showing terrorists everywhere that "you can run but you can't hide."

In his first public statement following the interception on Thursday night by U.S. fighters of a chartered Egyptian Boeing 737 carrying the hijackers, Mr Reagan said the U.S. had acted alone without informing Egypt or Italy in advance.

The fighters forced the Boeing to land at the U.S. Sigonella base in Sicily.

In a bid to repair strained relations with Egypt, which yesterday expressed surprise and regret over the U.S. operation, Mr Reagan played down the differences between Washington and Cairo and said he hoped that a single disavowal would not damage the firm friendship between the two countries.

An elated U.S. general public and politicians from both major parties acclaimed Mr Reagan's action as finally showing that the U.S. was able and willing to take a tough military stand against terrorism. It was "a major triumph for the United States," said Democratic Senator Patrick Leahy, vice-chairman of the Senate Intelligence Committee.

Mr Larry Speakes, the White House spokesman, stressed that "no shots were fired" during the interception. "It was a successful outcome. It was just



the right application of U.S. force.

As Italian authorities began questioning the hijackers yesterday, Washington said that the U.S. would pursue a request for their extradition to stand trial for the murder of an American passenger aboard the cruise ship Achille Lauro, which the hijackers took over off Egypt on Monday and held for two days before surrendering in Port Said.

The White House added, however, that the U.S. was willing to let Italy try the four Palestinians and would only press its case "if the matter is not disposed of legally in Italy." Mr Reagan said that it was possible that the hijackers could be tried both in Italy, which does not have the death

penalty, and in the U.S., which does.

If extradited, the hijackers would be tried for murder in the U.S., while they would be charged with piracy in Italy, Mr Reagan said.

Mr Reagan stressed that the U.S. Government had not sought the help of Italy or Egypt in the operation knowing that there must be "no leak of any kind" of the top secret plans, to which he gave the go-ahead on Thursday afternoon as he returned from a trip to Chicago.

Mr Reagan said he had chosen to act because the mission had been "possible." The problem in the past when the U.S. had not used military force against terrorists had not been a "lack of will," he said.

## Thatcher offers vision of 1990s

BY PETER RIDDELL, POLITICAL EDITOR IN BLACKPOOL

A VISION of Britain in the 1990s with three out of four families owning their home and with share ownership as common as having a car was yesterday offered by Mrs Margaret Thatcher.

In her closing address to the Conservative Party Conference the Prime Minister also firmly ruled out reflation and took a robust stance on the recent inner city riots, condemning the attitude of some Labour leaders and promising more support for the police.

The 40-minute speech was shorter than usual and at times disjointed, but was enthusiastically received with an eight-minute standing ovation and shouts of "Ten more years" in flag-waving scenes similar to those at the Last Night of the Proms.

Most of the speech was defensive, to reassure party doubters, with only a short section setting out aims for the next decade. "Step by step we are rolling back the frontiers of socialism and returning power to the

people," she said.

Mrs Thatcher cited increased home and share ownership as examples of families having "a degree of independence their forefathers could only dream about." She also talked of a "renaissance of enterprise" where there is a standard of health care far better than anything we have ever known and where people can look forward to their retirement, certain of their pension, confident of their buying power.

Earlier, after stressing her concern with unemployment, she rejected reflation, warning that it would mean worse inflation and unemployment. "You can't build a secure future on dishonest money," she said.

New jobs were coming and enterprise was returning to Britain.

This was her only reference to Thursday's speech by Mr Peter Walker, the Energy Secretary. He had warned of the disastrous electoral consequences of continuing high unemployment. Apart from Lord Hailsham, Mr Walker was the

only Cabinet minister not on the platform for Mrs Thatcher's speech; he had returned to London for a meeting.

Mr Walker's comments yesterday provoked Mr Nigel Lawson, the Chancellor, into the barbed comment that, since Mr Walker was "a man of honour, if he disagreed with the policy I am sure he would not wish to remain a member of the Cabinet. He must support Government economic policy since he is a member."

In general the conference has been united, partly in reaction to Mr Neil Kinnock's successful speeches as Labour leader in Southampton last week and partly following the Tottenham riots.

Mrs Thatcher delighted activists by arguing, in reference to Mr Kinnock, that "courage is what you show in the heat of battle, not at the post mortem." She said the Militant would not be beaten by "brave words and ritual disclaimers."

If the Labour leadership is genuinely against those people,

why don't they expel them? Isn't the real reason that they are a bigger and bigger part of the Labour Party?

Senior Tories hope these attacks will help dent any Labour revival in the opinion polls after what has been a generally subdued conference. Mrs Thatcher, in common with other speakers this week, also teased the Alliance about divisions between the Social Democrats and the Liberals.

On the inner city riots Mrs Thatcher argued that there was no excuse for crime and violence. She said it was "an insult to the unemployed to suggest the man who doesn't have a job is likely to break the law." Stressing strong support for the police, she said that if they needed more men, more equipment, different equipment, they would have them. "We don't economise on protecting life and property."

Conference report, Page 5  
Man in the News: Bernie Grant, Page 6  
Further union laws considered, Back Page

## Change of luck for the chief

By Reginald Dale

AFTER MONTHS of pulling the wrong levers, President Ronald Reagan has suddenly hit the jackpot.

"It's the best thing since the invasion of Grenada," said one excited Washingtonian yesterday, as the nation responded with a wave of elation to the dramatic overnight news that the hijackers had been hijacked.

"A dose of their own medicine," said a delighted morning news announcer before starting to read the story. "We bagged the bums." The New York Daily News shouted triumphantly in a front page headline.

Citizens of the nation's capital, interviewed on a local radio station, were virtually unanimous on one point—the hijackers should be brought straight to the U.S. to face the electric chair. "Let's fry 'em quick," said one succinctly.

But the main reaction of ordinary Americans yesterday was simply: "It's about time."

U.S. impotence in dealing with terrorists, despite all the armed might of Uncle Sam, has for months been gnawing away at the nation's self-confidence, and its trust in the Reagan administration.

Only on Thursday, as the interception was being secretly planned, angry members of Congress were demanding what was the use of spending billions of dollars on defence if kidnapped Americans could not be rescued or their captors brought to justice. One even bitterly suggested that the State Department be renamed "the department of capitulation."

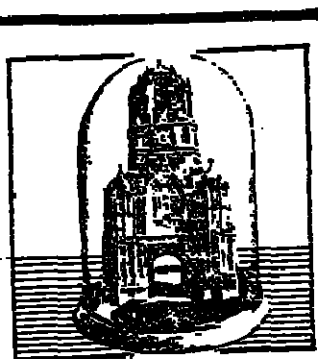
What has particularly distressed Americans—especially since the June hijacking of TWA flight 847—is that today's hijack victims are "regular folks," with whom everyone can identify.

The TWA passengers, and those aboard the Achille Lauro, could be mistaken for any number of the millions of Americans who through the world's airports. They could be almost anyone's family. It has reached the point where many Americans have become extremely reluctant to set foot out of the country.

This time, the sense of national outrage was intensified by the hijackers' choice of murder victim, the elderly semi-paralysed Mr Leon Klinghoffer, who was apparently shot and bundled overboard along with the wheelchair in which he had spent most of the cruise.

Continued on Back Page

## WEEKEND FT



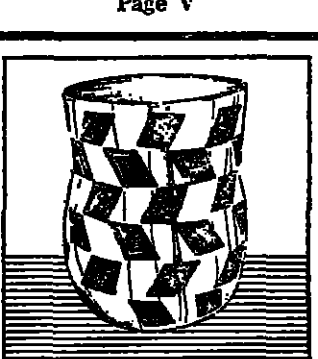
## OXFORD CASH

Oxford colleges have transformed their balance books in the space of 30 years. Page I



## GRANTS

The financially aware parent has little room for manoeuvre as student grants erode. Page V



## ARTY CRAFTS

Chelsea Crafts Fair, bigger than ever. Page XIV



## CLASSY CLARET

Low rainfall in late summer promises a memorable Bordeaux vintage. Page XV

MARKETS	
<b>DOLLAR</b>	<b>STERLING</b>
New York lunchtime: DM 2.656	New York lunchtime \$1.4125
FFr 8.103	London: \$1.412 (1.411)
SfrFr 2.1755	DM 3.7525 (3.75)
Y214.475	FFr 11.45 (11.43)
London: DM 2.658 (same)	SfrFr 3.0775 (3.0825)
FFr 8.111 (8.101)	Y203 (304)
SfrFr 2.1755 (2.185)	Sterling index: 80.0 (same)
Y214.60 (215.4)	<b>LONDON MONEY</b>
Dollar index 131.3 (131.1)	3-month interbank: closing rate 11.1/4% (same)
Tokyo close Y216.10	3-month eligible bills: buying rate 11.1/4% (same)
<b>U.S. LUNCHTIME RATES</b>	<b>STOCK INDICES</b>
Fed Funds 7 1/2%	FT Ord. 1027.5 (+0.7)
3-month Treasury Bills: 7.20%	FT-A All Share 642.75 (+0.7%)
Long Bond: 100 1/2%	FTSE 100 1,322.3 (+8.2)
yield: 10.60	FT-A long gilt yield index: High coupon 10.16 (10.17)
<b>GOLD</b>	New York lunchtime: DJ Ind. 1,338.51 (+8.74)
New York: Comex Dec. latest \$320.0	Tokyo: Nikkei Dow 12,549.92 (+92.72)
London: \$325 (same)	
Chief price changes yesterday. Back Page	

CONTINENTAL SELLING PRICES: Austria Sch 18; Belgium Fr 42; Denmark Kr 7.25; France Ffr 6.02; Germany DM 2.28; Italy L. 200; Netherlands Fl 2.52; Norway Kr 5.30; Portugal Esc 20; Spain Ptas 166; Sweden Kr 6.52; Switzerland Fr 2.20; Ireland Sp. 30c.

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\*Return on £1000 invested 1st October 1984 for one year. Figs are offer to bid, net income reinvested. Source 'Planned Savings'

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## OVERSEAS NEWS

## Temptation of success still lures the hijacker Italy says it will put cruise liner terrorists on trial

BY RICHARD JOHNS

"FROM the halls of Montezuma to the shores of Tripoli..." President Ronald Reagan's order to intercept the aircraft carrying the Palestinian hijackers of the cruise ship Achille Lauro has deep roots in American tradition.

The words of the U.S. Marines anthem commemorate the intervention in Mexico in the mid-19th century in an assertion of the Monroe Doctrine and, second, rather more creditably the action taken by the American Navy shortly after the Napoleonic wars against the pirates of the Barbary Coast.

A consensus amongst civilised nations more or less eliminated piracy in a matter of a generation. Under the legal principle of *contra bonum et aequum*—against the good of humanity—it was accepted that those who hijacked vessels on the high seas could be arbitrarily hung. The wholesale acceptance and application of this early concept of international law worked wonders.

The effectiveness of the concerted crackdown on piracy over 150 years ago and subsequent complacency about the safety of the merchant marine in times of peace could be said to have made possible the seizure of the Italian vessel.

Since 1931 there have been 231 hijackings of airline flights, according to the count of the U.S. Federal Aviation Authority. As a result there has been progressive tightening of security together with the implementation of much tougher laws internationally on air piracy.

But the only act of sea piracy since the early 1930s occurred in 1961 when the 23,000-ton Portuguese liner Santa Maria, was seized in the Caribbean by opponents of the late President Salazar's regime led and masterminded by General Humberto Delgado, a former Air Force officer. During the brief struggle for control of the vessel one of the crew was killed and several others wounded.

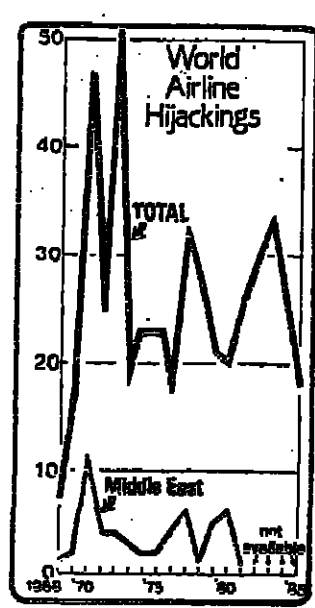
It was shadowed by U.S. military aircraft not the least because there were 42 American citizens aboard. The ship anchored 50 miles off Recife and after negotiations with Brazilian authorities the pirates were accorded asylum having obtained maximum publicity for their anti-Salazar protest.

Recently there has been a spate of interference with the merchant marine in the Gulf by the Iranian Navy which has intercepted and diverted to its ports nearly 80 vessels destined for ports of the Arab states of the Gulf to search for goods destined for Iraq.

That would be justified by Tehran by the state of war and also by the aid extended to its opponent in the five-year-old conflict by Saudi Arabia and Kuwait.

By contrast the hijacking of aircraft has become an endemic form of escape, protest and blackmail. The first known forcible take-over of an aircraft in the air was in Peru in 1931. The incident is lost in Andean mists of time and the International Civil Aviation Authority has no record what prompted it.

The first real spate of hi-



jackings came in the 1947-8 period as people sought to escape from Communist countries freshly submitted to the yoke of the Soviet Union, the first of them being a Romanian internal flight diverted to Turkey.

These hijackers were normally acclaimed by the media and their acts not in any way condemned as criminal. An official of the International Air Travel Association recalled yesterday. Historically, he estimated, the Polish carrier has been the most hijacked airline probably followed by Delta of the U.S.

Hijacking then became a Cuban specialty with the first actual seizure of an international flight and its diversion to the

U.S. actually occurring in 1953 under the Batista regime before Fidel Castro took power. Thereafter, airlines were seized not only by Cubans fleeing from the Castro regime but Cubans seeking the quickest possible route to their homeland when after the Bay of Pigs adventure of 1961 direct air communications to the island were halted.

Seldom were the culprits brought to justice. But several responsible for taking a Convair 440 of National Airlines on an unscheduled flight to Cuba in 1961 were apprehended in Miami 10 years later before being eventually brought to trial in 1975 when the civilised world community had come to accept hijacking as a serious crime.

Curiously, given the country's unrelenting fight against terrorism, the Israeli Government was responsible for the first forcible peacetime diversion of an aircraft, an operation described by President Eisenhower's Administration at the time as "without precedent" in international practice.

In December 1954 five members of the Israeli Defence Force were captured in Syrian territory wire-tapping the telephone network. The following day a Syrian civilian aircraft was intercepted by Israeli fighters after taking off from Damascus and forced to land at Lod airport where its passengers were held hostages under interrogation for 48 hours before they and the aircraft were released.

Mr Moshe Sharret, the then

Prime Minister, was less than happy by the initiative taken by his free-wheeling Minister of Defence, Pinchas Lavon, and Chief of Staff, Mr Moshe Dayan. He observed they seemed "to presume that the state of Israel may—even must—behave in international relations according to the law of the jungle."

One can only speculate how he would have viewed the wholesale destruction of Middle East Airlines fleet at Beirut airport at the end of 1968, and the diversion to Israel of an Israeli Airways flight in August 1972 in a bid to capture Dr George Habbash, leader of the Popular Front for the Liberation of Palestine, he was not on board but the operation caused a UN Security Council censure.

The PFLP, developed this form of terrorist violence on the Palestine side Dr Habbash's group was responsible for the first hijack by the movement as a whole, when its gunmen directed EL AL 707 to Algiers in July 1968.

It was responsible for most of the early operations including the most momentous of all the multiple piracy in September 1970 which triggered off the Jordanian civil war.

In retrospect, it is interesting to recall that the original attempt to hijack three aircraft simultaneously was, like many of these early Palestinian terrorist operations, a protest. It was the failure to commandeer the El Al flight and the detention in London of Leila Khaled which led to two subsequent hijacks, the threat to passengers held hostage and the eventual blowing up of three air-

craft at Dawson's Field, Jordan and one at Cairo Airport.

Al Fatah, the mainstream of the Palestine Liberation Organisation, generally regarded hijacking as counterproductive in terms of the Palestinian cause. At least one, the affair of a Sabena airliner to Lod in May 1982 where the terrorists bargained the lives of the passengers for the release of 66 prisoners, was the work of 66 September. Al Fatah's terrorist cell in the 1971-74 period.

That year saw the peak in the number of hijacks with a total of 51, only four of which were in the Middle East, according to the figures of the FAA. The subsequent reduction was very much the result of the much tougher security in response to the early Palestinian operations.

Yet a new chapter of the saga inevitably emerged from the Lebanese civil war with the hijacking of the Kuwaiti Airways airliner to Tehran last December and then in June this summer the 17-day cliff-hanger of the TWA 727 at Beirut Airport.

The Kuwaiti aircraft is still sitting on the tarmac in Tehran, a subject of an insurance dispute, but the 17 bombers of the U.S. and French embassies are still in gaol in the Gulf state.

The Israeli prisoners whose freedom the Shiite cantons of the TWA flight sought were released and it is not possible to believe that there was no connection between their return to Lebanon and the freeing of the passengers. But resistance to blackmail is getting the upper hand over capitulation.

BY JAMES BUXTON IN ROME

THE ITALIAN Government had to argue for several hours yesterday morning to persuade the U.S. Administration that Italy should take judicial responsibility for the four terrorists held at the Sigonella air base in Sicily.

Sig Bettino Craxi, the Prime Minister, spoke by telephone with President Reagan while Sig Giulio Andreotti, the Italian Foreign Minister, talked with his opposite number, Mr George Shultz. "I can't say that I did not have difficulty in convincing him," said Sig Andreotti.

The U.S. Air Force had an aircraft ready at Sigonella to take the four men responsible for the hijack of the Italian cruise liner Achille Lauro to the U.S.

In the end, the Italian Government prevailed. This puts Italy in what one official privately called yesterday "the eye of the storm." "We have to face up to our responsibilities—something we don't always like doing."

The Craxi Government appeared to have had little choice in insisting on taking custody of the terrorists. Their offence was committed on an Italian ship on the high seas, that is, on Italian territory. Furthermore, Italy had on Thursday made clear its intention of asking the Palestinians to hand the men over, if it was confirmed that they had murdered Mr Leon Klinghoffer.

After the initial rejoicing at the surrender of the terrorists on Wednesday, the Italian Government became increasingly conscious of U.S. anger at the murder of Mr Klinghoffer, of which the captain of the Achille Lauro only informed the Government some hours after the departure of the terrorists. Their free conduct out of Egypt had been agreed by Italy on the basis that they had neither killed nor wounded anyone.

The Government also faced some embarrassment over Sig

Craxi's public thanks to Mr Yasser Arafat at his press conference on Wednesday evening for the PLO leaders' help during the crisis. There have been growing doubts as to whether Mr Arafat was really quite unaware of the terrorist operation before it took place. Yesterday, however, Sig Andreotti reaffirmed his view that Mr Arafat had played a major role in defusing the crisis by disavowing himself from the hijacking.

These difficulties are compounded by the fact that Sig Craxi's Government is not only divided over attitudes to Israel and the Palestinians, both Sig Craxi and Sig Andreotti, representing the Socialist and Christian Democrat parties, favour close ties with the PLO as a means of achieving peace in the Middle East. The other three parties in the coalition, the Republicans, Social Democrats and Liberals, oppose this policy.

At the height of the hijacking crisis, Sig Giovanni Spadolini, the Defence Minister and leader of the Republican Party, criticised the Government for not contacting Mr Arafat. Because Italy feels vulnerable to Arab terrorist attacks and because it attributes great importance to its commercial ties with Arab countries, Italian governments have not always in the past pursued a hard line against Arab terrorists who commit offences against international targets on Italian soil. Many have been spirited away out of the country.

At present there are at least 10 Arab terrorists awaiting trial in Italian prisons. Of these, some were arrested earlier this year for trying to blow up the U.S. Embassy in Rome.

Italy has already received threats in connection with the terrorists that it holds. By taking on the four men responsible for the Achille Lauro hijack Italy is laying itself open to the risk of reprisal attacks.

## Mubarak Government faces potentially embarrassing questions

THE EGYPTIAN Government was yesterday facing some potentially embarrassing questions about the release on Wednesday of the hijackers of the Achille Lauro and Thursday's attempt to fly them to safety in Tunisia. Tony Walker reports from Cairo.

For example: Why did Egypt's president Hosni Mubarak announce on Thursday morning that they had

actually left for Egypt about 10 hours before the hijackers boarded the chartered Egyptian Boeing 737 in Cairo for Tunisia?

Also, why, later in the day, while the hijackers were still in Cairo, was Egypt's Foreign Minister maintaining that they had been guaranteed safe passage, even though strong circumstantial evidence pointed to the murder of one of the passengers?

Western diplomats in Cairo are amazed that in such circumstances, Egypt should have allowed the hijackers to leave.

One official said that his initial feeling was that there must have been a deal between the Egyptians and the Americans. But this has been denied in Washington and Cairo.

Reports from Rome indicate, however, that there may

have been an "accord" between Egypt, the U.S. and Italy—possibly involving elements of the Palestine Liberation Organisation—in apprehending the hijackers.

One of the reasons advanced for the delay of more than 24 hours between the surrender of the hijackers and their departure from Egypt was because of Tunisian reluctance to accept them.

Mr Mohamed Mzali,

Tunisia's Prime Minister, is on record as saying: "We would never accept terrorists, wherever they are, on our territory."

An Egyptian minister, who asked not to be named, said that the aircraft carrying the hijackers was denied landing rights in Tunisia, despite previous assurances by the Tunisian Government.

He said the Egyptian pilot could not identify the inter-

ceptors in the dark and had to land in Sicily because the plane was nearly out of fuel.

"We were supposed to deliver them to Tunis and hand them over to the PLO to try them. We did not intend to hand them over to Italy."

The Minister said there had been no prior negotiations with the U.S. and that an Egyptian military personnel were on the aircraft.

## Bonn faces criticism from Government ranks for Saudi deal

BY RUPERT CORNWELL IN BONN

THE West German Government has run into an ominous valley of criticism for its preliminary approval of plans for a German group to supply a DM 7bn (\$1.5bn) munitions plant to Saudi Arabia. Attacks on the move have come from influential voices among its own supporters as well as the opposition.

Both the Social Democrats and the Greens have denounced the possible contract, details of which emerged just as Herr Richard von Weizsäcker, the West German President, was embarking on a highly delicate state visit to Israel.

Herr Hans-Jochen Vogel, the SPD Parliamentary leader, has commented that his party may force a full-scale Sunday debate on the issue, which inevitably would embrace the contentious wider subject of a possible relaxation of the country's strict current restrictions on arms sales abroad.

Several members of the liberal Free Democrats (FDP), the junior partners in the ruling centre-right coalition have also signalled their dislike of the possible deal, while Herr

Hans-Dietrich Genscher, the Foreign Minister, is believed to have strong reservations.

The most embarrassing criticism has come from Herr Ernst Albrecht, the Prime Minister of Lower Saxony, who next year is due to lead the ruling CDU into a vitally important election in the state. Bonn should stick to its existing policy of refusing to supply arms to areas of tension, he declared, "and Saudi Arabia is such an area."

The deal's centrepiece is the possible delivery of a plant to produce tank and howitzer shells to Riyadh. The project would be handled by two West German companies, Rheinmetall of Düsseldorf and Thyssen Rhein Stahl Technik, a subsidiary of the Thyssen steel group.

News of the negotiations and the authorisation given by Bonn for the two companies to submit tenders, comes after a rather apparent success in reaching an agreement for all long-standing plans for West Germany to supply Saudi Arabia with sophisticated Leopard 2 battle tanks.

## Anti-nuclear group wins Nobel prize for peace

By Kevin Donohue, Nordic Correspondent, in Stockholm

THE 1985 Nobel Peace Prize has been awarded to the International Physicians for the Prevention of Nuclear War (IPPNW), the Norwegian Nobel Committee announced yesterday.

The two founder and co-presidents of the organisation, Prof Bernard Lown of the U.S. and Prof Yevgeny Chazov of the Soviet Union, have been invited to Oslo to receive the \$85,000 prize jointly on December 10. The Norwegian Nobel committee said in its citation that IPPNW, informally known as Doctors Against Nuclear War, had "performed a considerable service to mankind by spreading authoritative information and by creating awareness of the catastrophic consequences of atomic warfare."

IPPNW was formed in 1980 after an exchange of letters between Prof Lown and Prof Chazov led to a first meeting in Geneva.

The organisation has its headquarters in Boston, Europe headquarters in London and some 145,000 members in 41 countries.

The Nobel committee said it believed its work had contributed to an increase in the pressure of public opinion in the proliferation of atomic weapons and to a redefining of priorities away from military spending and towards health and other humanitarian issues.

The committee is clearly aware of the role the prize plays in drawing attention to the issue of nuclear disarmament only weeks before the U.S. President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, are due to hold their summit meeting in Geneva.

## Gandhi greets Sri Lanka peace deal

BY JOHN ELLIOTT IN NEW DELHI

INDIA HAS successfully persuaded the Sri Lankan Government and leaders of the island's Tamil extremists to introduce a new ceasefire, with jointly agreed monitoring procedures, after several weeks of renewed violence between the extremists and security forces.

The agreement was welcomed yesterday by Mr Rajiv Gandhi, India's Prime Minister, as a "key factor before we go further." He will discuss possible renewed negotiations on a permanent settlement with President Junius Jayawardene of Sri Lanka at the Commonwealth Heads of Government meeting in the Bahamas next week.

Mr Gandhi also intends to use the Commonwealth meeting and a subsequent visit to the United Nations to argue strongly against Pakistan being helped to develop nuclear weapons.

He said yesterday that India would have to "consider its security" if Pakistan went ahead with a bomb, hinting that India might revive its own nuclear weapons programme.

Mr Gandhi added that there was "no question of allowing New Delhi or any other Indian city in the country becoming a Hiroshima or Nagasaki."

Mr Gandhi also dismissed reports by the U.S. columnist, Mr Jack Anderson, who visited New Delhi a week ago, that India was developing a hydrogen bomb. India had no such programme, he said.

The ceasefire agreement for Sri Lanka was announced yesterday by Mr Ramesh Bhandari, India's leading diplomat and Foreign Secretary. It follows the collapse of peace talks two months ago amid renewed violence on the island.

"The ceasefire is on and the monitoring group is there to see it is maintained," he declared.

Mr Gandhi yesterday also turned on industrialists who are complaining about increased foreign competition as a result of his liberalised economic policies.

In his most outspoken remarks so far on the subject, he said that the record of private industry in developing technology was "pathetic." It

had neither developed its own technology, nor had it imported the technology it needed.

He also condemned as "rubbishy" scientific research which "develops products easily available in common markets abroad."

The Agriculture Ministry announced yesterday that, despite drought conditions in some states, the country was expected to achieve its targeted 160m tonnes of food grains production this year.

The Finance Ministry is also expecting that increased tax returns will substantially reduce its budget deficit for 1985-86 below the forecast of Rs 33.5bn (£2.2bn).

## U.S. car boom pushes retail sales up 2.7%

By Nancy Dunne in Washington

THE U.S. car buying boom last month, powered by lower prices and discount financing, pushed retail sales up by 2.7 per cent and helped drive wholesale prices down 0.6 per cent.

It was the third decline for producer prices in the past four months, and pushed the annual wholesale inflation rate into negative figures, -0.1 per cent, for the first time since January.

A 0.9 per cent drop in food prices contributed along with a 3.8 per cent decline in the cost of cars and a 2 per cent drop in the price of light trucks.

September was the strongest month for car sales in four years, and the strongest for all retail sales since April's 3.1 per cent surge. However, Mr Malcolm Baldrige, Commerce Secretary, said he sees slower growth ahead for consumer spending because current savings rates are low.

Some analysts believe, however, that the strong car sales are consumers on to the job. Meanwhile, the Business Council has predicted that the U.S. economy, plagued by the trade deficit, will "muddle through" this year and next, neither sliding into recession nor showing strong growth.

Real GNP will grow 2.1 per cent from the fourth quarter of last year to the fourth quarter of this year, and inflation, adjusted for growth, will be 2.5 per cent next year, the council said.

The best news for the economy this week was the Senate's passage on Thursday night of legislation raising the debt ceiling by \$2 trillion (million million) along with an amendment to phase out the budget deficit in five years.

While the House Democrats are bound to change the procedures in the Senate Bill, analysts believe some compromise will be reached on deficit reduction.

## Finnish Communist Party set to expel minority

BY OLLI VIRTANEN IN HELSINKI

THIS WEEKEND will probably mark the final chapter for a united Finnish Communist Party.

The party's central committee, convening in Helsinki tomorrow, is likely to expel the eight minority-controlled district organisations who have refused to conform to the majority's policy.

Finland's Communists have spoken with two voices since 1968, the year of the occupation of Czechoslovakia. The more pragmatic majority now holds 15 seats in the parliament of 200 while the pro-Soviet minority has 10 MPs.

In recent months, the majority-controlled party leadership have made several threats to expel the dissenters if they refuse to dismantle their parallel organisations and stop publishing their own newspaper. Tomorrow they will put the threats into effect.

About a week ago, the Soviet Union cancelled a publishing agreement with a publishing house owned by the majority of the Finnish Communist Party. The deal was given to a minority-controlled publishing house.

Moscow's action is seen as direct moral and financial support for the minority.

## Commission gives Ecu 25m to tackle poverty

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission yesterday announced an Ecu 25m (£12.5m) programme to tackle poverty in the EEC, with the largest number of projects to be funded in Ireland.

The aim of the programme is to help particular groups who are at the edge of national social security programmes, and victims of the "new poverty"—the long-term unemployed, single-parent families, refugees

and immigrants.

Among the UK schemes being supported are projects to help second-generation immigrants in Bristol and London, long-term and young unemployed in Wales and Northern Ireland, old-age pensioners in Stoke-on-Trent and Lancashire, and single-parent families in London, Bolton and Bristol.

## Austrian report attacks plan for power plant dam

BY PATRICK BLUM IN VIENNA

AUSTRIA'S controversial plans to build a power plant and dam at Hainburg, near the Czechoslovak border, suffered a new setback yesterday when the Austrian Ministry of the Environment and Nature Conservation issued a report attacking the plan.

The report was prepared by an ecology commission set up earlier this year under the auspices of the Health and Environment Ministry after surprisingly bitter clashes last autumn between police and environmentalists opposed to the project on the grounds that it would destroy one of Europe's last primeval forests.

It argues that the originally planned project would be detrimental to the environment and suggests instead several alternatives including building a large plant just outside and east of Vienna, another large plant at Walfisch near the Czechoslovak border which would be built jointly with Czechoslovakia or a series of up to four smaller plants between Vienna and Hainburg.

The commission's report is not binding on the Government. With Presidential elections coming up next year and a general election the following year at the latest, the Government is unwilling to stir up further protests.

## Paul Cheeseright assesses French and Flemish opposition Belgian coalition faces stiff poll test

BY PATRICK BLUM IN VIENNA

Deputies, the coalition held 113 of 212 seats. Opinion polls, heavily qualified by the number of undecided voters, have suggested that the coalition may fail to hold its majority.

If that proves the case, protracted negotiations between the parties will be necessary to form a new government, presumably to bring into power one or both of the Socialist parties.

Even if the coalition maintains its majority, negotiations on the terms of maintenance of the present government would be difficult: the two Christian Democrat parties have been sharply at odds over whether control of education should be handed over to the regions.

The coalition had originally intended to see out its full term—a rare phenomenon in Belgium—and go to the polls in December. But a bitter squabble over whether the Minister of the Interior should

## Belgian coalition faces stiff poll test

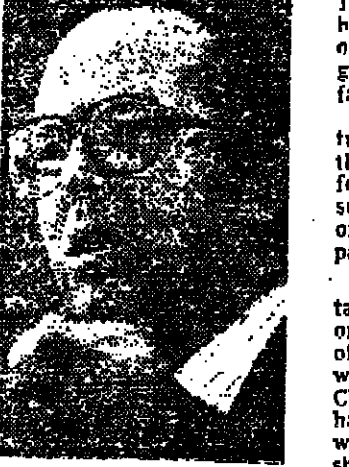
BY PATRICK BLUM IN VIENNA

resign over the handling of the Herold football tragedy of last spring led in July to a Liberal move to withdraw from the coalition. This caused the date of the election to be advanced.

Since then the parties of the coalition have been jockeying for position, and the last days of the Government were marked by inability to handle anything but routine business.

Before then, the coalition had succeeded in redressing the balance of payments, reducing inflation and restoring a measure of corporate competitiveness but at the price of 13.5 per cent unemployment and a fall in consumer purchasing power.

Voters will go to the polls after a lacklustre election campaign. The system is strictly proportional, and Belgium is one of the four countries in Europe where voting is obligatory. The other three are Greece, Italy and Luxembourg.



Wilfried Martens... question of security could unsettle him parties whose main aim is to seek more autonomy and power either for Flanders or French-speaking Walloons.

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## OVERSEAS NEWS

## China tells Abe trade imbalance must be halted

BY OUR PEKING CORRESPONDENT

THE CHINESE leadership told Japan yesterday that Peking could not accept another large trade deficit next year and sought assurances that there would be no revival of Japanese militarism.

According to Japanese officials, Deng Xiaoping, the Chinese leader, told Mr Abe, the Japanese Foreign Minister, who arrived in Peking yesterday for extensive talks, that another big deficit would face China with the prospect of debts on a Latin American scale. Wu Xueqian, the Chinese Foreign Minister, called on Japan to honour its promise not to become a major military power again.

Japanese officials said that Mr Abe gave Wu this assurance, but the exchanges highlighted the fact that Mr Abe has arrived in Peking at an awkward time for the inauguration of what is intended to be an annual event to strengthen relations between the two countries.

China's trade deficit with Japan has risen from \$1.25bn (£888m) in 1984 to \$2.84bn in the first half of this year, and Japanese officials said that Deng's remarks were understood to mean Japan was expected to balance its trade with China next year. China apparently plans to strictly control imports of Japanese electrical appliances and motor vehicles and is seeking to maintain exports of oil and coal to Japan.

Mr Abe is understood to have replied that it might be difficult to sustain these imports but that Japan would "make efforts at least to maintain the status quo."

Both sides have a long list of trade complaints against each other. The Japanese are concerned by delays in contract payments, restrictive technology import regulations and tighter control over imports generally. The Chinese are perturbed by Japanese exports of allegedly defective goods and the apparent reluctance of Japanese companies to export much-needed high-technology, in addition to the hefty trade surplus in Japan's favour.

Fears among some Chinese over a revival of Japanese militarism have been shown publicly in recent weeks, with several anti-Japanese protests in the wake of lavish celebrations to mark the 40th anniversary of the end of World War Two—what is known in China as "the anti-Japanese war."

For some Chinese old enough to have experienced the brutal Japanese occupation, relations



Shintaro Abe—under pressure

between the two countries have become uncomfortably close, and, for them, the Japanese will always be "Riben Gu"—"Japanese Devils."

For a majority, however, time has been a great healer, and the material benefits of developing a closer relationship are widely seen. Japan is China's prime trading partner, and there are almost daily diplomatic and cultural crossings of the waters between Peking and Tokyo.

Nevertheless, political observers in the Chinese capital stress the ambivalence of Chinese regard for Japan, with its strong undercurrent of anti-Japanese sentiment. Much is left unsaid, but the Chinese are sensitive, one Western diplomat pointed out.

The war anniversary fanfare, not unexpectedly, drew some of that latent bitterness to the surface. For instance, at the height of the anniversary, the Chinese news media carried daily accounts of Chinese heroism in the face of the "Japanese invaders."

The emotional subject of the recent visit by Mr Yasuhiro Nakasone, the Japanese Prime Minister, to Japan's Yankuni war shrine was raised by Vice-Premier Li Peng. Mr Nakasone's pilgrimage particularly annoyed Chinese officials at the time and prompted a public outcry by Peking University students, who staged a protest march against "Japanese militarism" and condemned the so-called "invasion" by Japanese goods of China's markets.

Mr George Bush, the U.S. Vice-President, left for China yesterday for an official visit, Reuters reports from Washington. He is due to arrive in

## ANC meets white opposition leader

By Patti Waldmeir in Lusaka

MR FREDERIK van Zyl Slabbert, leader of South Africa's white parliamentary opposition, Progressive Federal Party (PFP), arrived in Lusaka yesterday, and held an informal meeting with an official of the African National Congress, the leading nationalist movement fighting white rule.

The meeting is in advance of today's unprecedented joint talks on ways of ending Apartheid in South Africa.

The PFP delegation to the talks would include the Durban MP, Mr Peter Gastrow, the PFP foreign affairs spokesman Mr Colin Eglon, and another MP Alex Boraine.

The fact that the ANC delegation would not include the ANC president, Mr Oliver Tambo, who is currently out of the country, appeared to be a deliberate snub to Mr van Zyl Slabbert, whom the organisation has sharply criticised as too moderate. It was not known which ANC officials would meet the PFP group.

Asked what he hoped to achieve through the talks, believed to be the first between the PFP leader and the ANC, Mr van Zyl Slabbert said: "We're here to talk. That's already an achievement."

Mr van Zyl Slabbert has in the past publicly offered to act as a mediator between South Africa's President P. W. Botha and the ANC.

The PFP leader's participation in the talks, which it is understood were sought by him, appears to be an attempt to show that he is the one white leader in South Africa with enough credibility to talk to both moderate blacks, such as Chief Gatsha Buthelezi, and the more radical ANC.

It was understood in Lusaka, the ANC headquarters, that the main focus of the talks was likely to be an exchange of views on holding a national convention.

## Zambia devalues Kwacha by 56%

The Zambian currency, the kwacha, has been effectively devalued by 56 per cent as part of an economic recovery programme announced last week by Zambia's President Kenneth Kaunda.

A new rate was set for the kwacha yesterday at the first of the recently announced weekly foreign exchange auctions. The value of the kwacha dropped to 5.01 against the dollar from 2.2 against the dollar, the rate when foreign exchange transactions were suspended late last week.

Christopher Bobinski looks at the clash of wills focused on tomorrow's Polish election

## Solidarity set to monitor poll boycott

ALL THIS week Solidarity activists have been busy searching for flats with windows looking out onto polling stations, as they prepare to check on the success of their call for a boycott of Poland's parliamentary elections on Sunday, the first since the rise in 1980 and subsequent fall of the independent union movement.

Plain-clothes police will be doing their best to harass those unofficial "counters" who have failed to find a set of net curtains to hide behind. The next best thing to a well-placed window, the Solidarity leaflets say, is to take your child or your dog for a walk or even kick a ball around with friends, near the polling station, to give a cover for counting.

So, one way or another, the polling stations will be bustling with activity. A large number of people will ignore the boycott call and there seems little reason to suppose that the results will differ much from last year's local government elections. According to the Government, 75 per cent voted there, although Solidarity put the figure at 10-15 per cent less.

For many people, voting is a habit in elections which in effect leave the population with little choice. Fifty of the candidates, the top establishment figures, will go through unopposed on a "national" list. In an innovation, also introduced in Hungary this year, there will be two candidates for each of the other 410 parliamentary seats.

Every candidate, however, has been proposed by an officially sanctioned organisation and vetted by the bureaucracy to ensure that no outright government opponent gets through.

The last parliament did display a greater measure of independence than its predecessors and it is likely that the forthcoming one will produce its dissident fringe ready



Gen. Jaruzelski, Poland's military leader (left) has implicitly appealed to the country's priests and bishops to vote in Sunday's election. The powerful Catholic Church under Cardinal Jozef Glemp (right) has sought to steer a neutral course between Solidarity's call for a boycott and the Government's attendance plea.



towards "social parasites," alcoholism or even putting an end to private practice by doctors, have reflected the concerns of the party activists.

Elderly people have also turned up in force, often making a case for an increase in their inflation-eroded pensions.

In his only election speech on Wednesday, Gen Jaruzelski sought to answer these concerns. Hitting the populist note with which the Government always seeks to defuse undercurrents of discontent among its own activists and in society at large, he promised a crackdown on speculation, on the work-shy, and on the spread of alcoholism. Pensioners, too, were promised a payment rise.

In a rare concession to Roman Catholic feeling, the general admitted that Poland has a Christian past and at present a Catholic majority. In the same breath he implicitly appealed to the priests and bishops to vote.

The powerful Catholic Church has sought to steer a neutral course between Solidarity's call for a boycott and the Government's urging attendance on the day. No statements either way have been forthcoming.

A boycott call might have been expected from the dissident St Stanislaw Church in Warsaw where the murdered priest, Father Popieluszko, worked. But even there, sermons have been studiously mild.

Cardinal Jozef Glemp, the Polish Primate, will be in Rome on polling day, and he has no doubt left it to the individual priests and bishops to make up their own minds whether they want to vote.

This is what his predecessor, Cardinal Stefan Wyszynski, did, and he himself in recent years has never voted. The example will be a powerful one for many clergy.



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## UK NEWS

## Row looms at Lloyd's over tax settlement

BY JOHN MOORE, CITY CORRESPONDENT

A ROW is set to break out in the Lloyd's insurance market over an imminent settlement between the community and the Revenue over £100m of disputed tax liabilities.

It is believed a settlement plan will be presented by Mr Peter Miller, chairman of Lloyd's, at a meeting of underwriting agents in the market on Monday. Some underwriting members are believed to be concerned that they had not been consulted about any future settlement.

The settlement follows one of the most extensive investigations by the British tax authorities into the affairs of a big financial institution.

The settlement appears to centre on a once-and-for-all payment of up to £100m by the market's underwriting members for tax arrears.

There are worries that any "blanket" settlement will be difficult to implement on a market-wide basis in a way which ensures all underwriting members bear the correct amount of tax.

The Special Investigations Unit of the Inland Revenue has been probing the affairs of Lloyd's underwriters for more than a year in an effort to trace sums of money which should have been declared for tax purposes. The investigation followed the failure of negotiations between Lloyd's and the Revenue after the emergence of a series of irregularities in the market at the end of 1982.

Revenue officials have been studying various insurance arrangements at Lloyd's in an attempt to establish whether they have a proper insurance purpose or are designed to avoid tax.



Peter Miller: presenting the settlement plan

An ad-hoc committee of underwriters has been preparing to challenge the Revenue's interpretation of certain insurance contracts and is preparing a number of arrangements as test cases.

Last year Mr Miller told members that Lloyd's had rejected the prospect of a centrally negotiated settlement which involves payment out of Corporation of Lloyd's funds, and no such payment had been offered to the Revenue. But discussions between the Revenue and Lloyd's on a central basis at that time were continuing.

Some leading underwriters are understood to be annoyed that a settlement may be in view as they have always argued that they have a good case in fighting the Inland Revenue over the Revenue's interpretation of the various policies.

## Beckett members offered plan to help meet losses

BY JOHN MOORE

TWENTY-SEVEN LLOYD'S underwriting members whose affairs were once managed by the troubled Richard Beckett Underwriting agency company have been offered a scheme which will help them meet their share of £130m of losses.

The members concerned are those with the Beckett agency who had taken out insurances to protect themselves against onerous losses and later found that the workings on the policies prevented them from collecting insurance claims.

The affected members, who were hoping to collect on their policies to pay the insurance claims now falling on them, have been offered a plan which will provide them with equivalent financial benefit.

The plan was outlined yesterday in a letter sent by Additional Underwriting Agencies Number 3, the newly formed agency largely financed by Lloyd's, which is managing the affairs of the members of the Beckett agency.

In the scheme a bank guarantee is to be issued for up to £7m to cover the losses, which the underwriting members can use to show that they have enough assets to meet their liabilities.

The facility is designed solely to help underwriting members meet their liabilities arising from the underwriting accounts covered by the controversial policies.

Underwriting members have until October 30 to consider the proposals. If they do not accept the plan they could face suspension by Lloyd's.

Lloyd's has already suspended 199 members whose affairs were managed by the Beckett agency because they resisted passing the solvency test, which requires them to show they have enough assets to meet their liabilities.

Extensive legal action is in preparation by more than 300 members who are arguing that their affairs have been mismanaged in the past.

## JWT wins BT's £14m advertising campaign

BRITISH TELECOM has transferred its £14m-a-year campaign to stimulate telephone calls to J. Walter Thompson, the advertising agency, in what is believed to be the biggest single account move this year. For 15 years the account had been with K&P Advertising, which was responsible for "Bibby" and the catchy "It's for you" campaigns. It is the largest single product campaign to be run in Britain and compares with the £7m campaign for Guinness.

The JWT campaign, to be run nationally from October 20, features animals such as

camels, rhinos and ostriches "talking" on the telephone. The slogan will be: "For all things great and small—make that call."

Stimulating telephone use, which is fairly low in Britain, is one of BT's main objectives. Residential customers in the U.S. make three times as many calls as those in the UK BT calculated that if every residential subscriber made one extra trunk call a week its profits would rise by £30m a year.

BT has conducted detailed market research into telephone habits on both sides of the Atlantic.

## Shortfall in building societies' inflow

By Clive Wolman

THE inflow of funds to the building societies from investors in September reached only £597m, which was £200m below their original target and £39m below last year's figure for September.

But figures released yesterday by the Building Societies' Association show that most of the shortfall from the societies' traditional sources was made up by the funds they raised from the whole-sale money markets. The net inflow from this source reached £258m in September.

This month there is likely to be a further increase in funds from this source as the building societies are allowed to tap the Eurobond market for the first time.

Mr Richard Weir, secretary general of the association, said yesterday that the figures were "mildly disappointing" but added that in the first week of this month there had been an upsurge in the inflow of funds from investors.

At the beginning of the year, the association set a target of £800m a month for the net inflow of funds from investors. But although this target has not been met since January, there has been no shortage of funds for mortgages.

This is partly because the societies have run down their more liquid assets, cutting their liquidity ratio from 18 per cent on a seasonally adjusted basis last December to 17.6 per cent in September. In September the societies' net new mortgage lending (after the deduction of repayments) fell to £1,073m, the lowest figure since February.

## Banker warns societies on lending

By Clive Wolman

BUILDING SOCIETIES were warned of racing into the unsecured lending of unsecured lending when they acquired power under forthcoming legislation, said Mr Philip Gille, a National Westminster Bank director.

"After deregulation, skill will need to be learnt, but at what cost? There is a clear case for caution here," he told a City conference on building societies, organised by Phillips & Drew, stockbrokers.

Mr Gille is responsible for UK retail banking. He warned societies the banks did not intend to evacuate their old markets. "The building societies would ignore this at their peril," he said.

He said that if societies began to bank on unsecured lending, they should be supervised by the Bank of England, like banks. They are the responsibility of the Chief Registrar of Friendly Societies, a Treasury official.

Mr Geoff Gray, a Phillips & Drew analyst, endorsed last week's warning by the registrar that societies would need more capital if they wanted to engage in riskier activities like unsecured lending.

Mr Peter Toeman, Phillips & Drew analyst, discussed whether societies would find it profitable to compete with the banks' cheque facilities and money transmission services.

Mr Roy Cox, Building Societies Association chairman, expected societies facing the most competitive pressures because of deregulation would be middle-ranking ones, the largest 20 outside the top 10. Most would have to seek merger partners.

## Liverpool to shorten lay off

BY NICK BUNKER

LIVERPOOL'S Labour-led city council announced unexpectedly yesterday that it will shorten the anticipated three-month lay-off of its 31,000 employees to four weeks.

Mr Tony Byrne, Labour chairman of the council's finance committee, said that workers due to be dismissed on December 31 would now be assured of re-employment by January 28 next.

Labour councillors now think that a four-week lay-off will release enough money in unpaid wages to help bridge the £30m deficit in the 1985-86 budget.

Shortening the lay-off will also remove the obligation to spend up to £23m in redundancy payments, Mr Alfred Stocks, the city's chief executive, said.

Liverpool incurred its current risk of insolvency after refusing to abide by government spending targets while pursuing ambitious job-creation and house-building programmes.

The council has shortened the lay-off period in the belief that it will get a £7m windfall from the recent Appeal Court decision to rule illegal the Government's system for fixing local authorities' spending targets.

Yesterday's announcement — contained in a motion passed without warning by Mr Byrne's committee — was accompanied by a telex to Mr Kenneth Baker,

MEMBERS of the ruling Labour group on Liverpool City Council yesterday failed to persuade a High Court judge that their appeal against the district auditor's £106,103 surcharge demand on them should be heard in Liverpool rather than London.

Miss Beverley Lang, for the 48 councillors, told Mr Justice Mann that they wanted to attend the hearing but about half were unemployed and could not afford the cost of travel, hotel accommodation and food

involved in a London court hearing.

Rejecting the plea, Mr Justice Mann said that the appeal and one by surcharged Labour councillors from the London Borough of Lambeth were of such importance that they should come before a divisional court of the Queen's Bench Division, which sat only in London.

He directed that the two cases should come to court on January 13, the first day of the next legal term, and be heard either together or consecutively.

the Environment Secretary. It urged immediate return of £350m the council claims has been "stolen" in government cuts since 1979, in the light of the Appeal Court ruling.

Legal experts had advised the council that it could benefit from the ruling, which found in favour of applications by Bradford City Council and Nottinghamshire County Council.

The Lords is due to hear on Monday a government application for leave to appeal against the judgement. Mr Byrne, however, last night discounted the possibility of its being reversed.

Yesterday, a report from Mr Michael Reddington, Liverpool city treasurer, also said that he

could anticipate a major reduction in the £9.7m projected losses of the direct labour organisations, including engineers and building workers.

Merseyside officials of the Department of the Environment yesterday repeated warnings that Liverpool had created its own crisis and had to solve its difficulties without government help.

They said of yesterday's new move: "We will have to see if it stands up to scrutiny."

The plans to shorten the lay-off period came as a surprise to national union officials, due to meet tomorrow in London to look for ways of ending Liverpool's financial plight without layoffs.

## Nissan UK claims £27m spent on dealer network

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE privately owned company which imports Nissan cars to Britain from Japan claims to have spent £27m so far this year to strengthen its dealer network.

This is in preparation for the launch next year of cars from the Japanese company's new British factory and the rapid increase in market share which should follow.

Nissan UK, the import company, expects its penetration of the new car market to rise from 6 per cent to 10 per cent in the short term.

Having decided that the current dealer network could not cope with the fast increase in sales, Nissan UK has identified several sites and has gone out to recruit salesmen for them. The company is offering low-cost finance so that the recruits can set up as independent dealers.

"The dealer development scheme provides opportunities for senior executives with a proven record in the retail

motor trade to start their own businesses with substantial financial assistance from Nissan UK," the company points out.

So far, 24 dealerships have been included in the scheme. Nissan UK says that 19 of them are in areas where there was a gap in its regional coverage; two are additional outlets in areas where there already was some representation; and three cases existing dealers were replaced.

Included in the total were 16 "greenfield" sites, which Nissan UK says will be turned into "prestige, custom-designed dealership facilities."

Heavy spending on the scheme will continue for some time and Mr Octav Botnar, the founder and chairman, has said he would be willing to invest £100m if necessary.

In the year to end-July 1984, Nissan UK made a pre-tax profit of £49.7m on a turnover of £448.3m compared with a profit of £51.2m and sales of £384.4m in the preceding 12 months.

## Bank of England to issue £800m tap stock

BY PHILIP STEPHENS

THE Bank of England yesterday announced a tender sale of £800m worth of gilt-edged securities in a move interpreted by City brokers as marking a revival of its funding programme after the slack pace of sales in the summer.

The £800m of 10 per cent Treasury stock maturing in 2001 will be offered for sale on Thursday at a minimum tender price of £88.25 per £100 of stock. At that price the stock yields 10.2 per cent a year.

The Bank's decision to offer a large new issue rather than a series of small tranches of existing securities was interpreted in the gilt-edged market as signalling it would like to increase the pace of its sales.

Over the past two months net sales of stock have not matched the Government's public borrowing needs, helping to stimulate a sharp rise in sterling M3, the most closely watched measure of money supply.

To make the latest issue more attractive to investors the Bank said £40 per £100 of stock would be payable on application but the balance would not fall due until November 25.

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## Getty donation for war museum

BY ANTHONY THORNCROFT

MR PAUL GETTY has given £500,000 to the Imperial War Museum Redevelopment Appeal. The appeal is for £2.5m which, when achieved, will trigger off a contribution of £6.5m by the Government.

This will enable the first stage of the museum's redevelopment programme, costing £9m to go ahead.

The Appeal aims to provide extra gallery space, as well as a new educational centre for the museum, which has not expanded in the fifty years it has existed in Lambeth Road.

With Mr Getty's donation, the Appeal passes the £1.5m mark.

## Haringey strike over council chief's remarks

SEVERAL hundred employees of the London Borough of Haringey walked out and voted for a 24-hour strike yesterday in protest at comments by Mr Bernie Grant, the council's leader, about the Tottenham riot last weekend.

The council said, however, that the vast majority of its 13,000 staff had stayed at work and that the strike had made little impact on services.

Most of those who joined the protest were members of the Transport and General Workers' Union and the National Union of Public Employees.

Man in the News, Page 6

## New writ issued over JMB

A NEW writ has been issued on behalf of Johnson Matthey Bankers in its suit for damages against Arthur Young, the accountancy firm. The bank's previous writ was struck out last week because it failed to make a statement of claim before the deadline.

The Bank of England, which owns JMB, said yesterday the claim alleges breach of contract and/or negligence as auditors and accountants to JMB for the financial years 1981, 1982, 1983 and 1984.

Arthur Young, which has said it will contest the suit vigorously, had signed off on JMB's accounts a few months before its near collapse in September last year.

## Four farm research centres to close

FOUR agricultural research centres are to close next April under the Government's spending cuts, it was disclosed yesterday.

They are the Agricultural Science Service Laboratories at Sharlow Hall, Derby; Lamishen, Cardiff; Bangor, and the Central Veterinary Laboratory at Lasswade, Edinburgh.

## Managers' pay survey

IN THE report in the Financial Times on October 9 of the managers' pay survey by Reward Regional Surveys the table wrongly indicated that the median basic pay for managers in London was 5.8 per cent higher than the UK median of £11,320 a year. The figure should have been 13.9 per cent.

## Strike at forging group set to hit aerospace sector

BY HELEN HAGUE, LABOUR STAFF

THE KEY aerospace products division of Sheffield Forgemasters, the troubled forgings and castings group set up by the British Steel Corporation and Johnson and Firth Brown, is expected to be at a standstill from tomorrow because of a dispute over pay, working conditions and union rights.

Workers from five of the company's divisions at the Atlas site voted yesterday by a two-thirds majority in a secret ballot to back an all-out strike over the grievances.

However, it was decided at the meeting that the 300 workers from the aerospace products division should stage a selective strike and that other workers would pay a £15 a week levy to alleviate hardship among strikers.

Aerospace products was chosen because of the crucial role it has in the company, including the manufacture of high-quality special steels. Forgemasters was, recently restructured — a move which resulted in the formation of seven separate divisions.

The strike decision springs from a list of grievances including the company's abolition of the right for workers at the Atlas site to have a full-time union representative. Mr Jack Jillingworth, who previously held the post of shop stewards chairman, was among 520 people selected for redundancy earlier this year.

There has also been no pay rise from management this year after an early offer of a 1.5 per cent rise was withdrawn.

## Manual workers to talk on school supervision

BY DAVID BRINDLE, LABOUR STAFF

LEADERS of the manual council workers' unions indicated yesterday they were prepared to consider schemes making use of the Government's offer this week of payment for lunchtime supervision in schools.

The unions denied claims by the National Union of Teachers that they had agreed at a meeting of the TUC local government committee to block such schemes as long as the teachers' pay dispute went on — and possibly beyond.

The unions said they had yet to discuss the matter. A special meeting of the unions con-

cerned will be held on Monday. One union leader said the NUT could wait "until hell freezes over" for a commitment to block the supervision payment. Another said the NUT's premature claim of support had jeopardised its hopes of winning co-operation on the timing of discussions on payments.

The row, which will do nothing to help the NUT at what is a crucial point in the long-running pay dispute, was begun by comments at a briefing for reporters on Thursday by Mr Doug McAvoy, the union's deputy general secretary.

## Pre-strike ballots 'will benefit Labour in election'

BY PHILIP BASSETT, LABOUR CORRESPONDENT

PRE-STRIKE ballots required by the Government's trade union legislation will help the Labour Party in the next general election by reducing trade union militancy's adverse political impact on it according to an academic on union ballots.

Mr Roger Under, co-author of a study on ballots and union democracy, said yesterday that this was one of several apparent paradoxes in the legislation, and in particular in the balloting requirements of the Trade Union Act 1984, which the Conservatives clearly had not foreseen when they introduced it.

Speaking at the launch of the Oxford Institute for Employee Relations, a research and teaching body based at Empleton College, Oxford, he said a political consensus seemed to be developing around the permanence of union ballots as a feature of industrial relations.

He said: "In the short term the Conservatives saw electoral advantages in the legislation. But in the longer term there will be substantial and political advantages to the Labour Party

in maintaining substantial parts of the legislation even if they amend the law."

His view coincides with that of some Labour Party leaders including Mr Neil Kinnock, party leader, who has even proposed establishment of a fund under Labour to meet balloting and similar union costs.

Mr Under is a former engineering union shop steward and now director of the new institute. He said the Act's pre-strike balloting requirement would reduce for the Labour Party the political sensitivity of trade union militancy because industrial action after a ballot would be legitimised by the vote beyond argument.

Much of his research into ballots was on their impact on the political complement of the union executive committees. He said of the Act's points on this that balloting requirements would not produce more pro-Conservative union executive committees.

He said, however, that they might well produce executives more in tune with the existing Labour Party leadership than some union executives now.

## Union fights plant closure

BY DAVID THOMAS, LABOUR STAFF

THE Transport and General Workers' Union is opposing the closure of a chemical plant in British Petroleum's Grange-moor complex, which could turn Britain into a net importer of plastic material.

BP says that the plant has lost about £25m in the past four years and is too old to be modernised, especially since there are much larger phenol plants in Europe.

However, the TGWU commissioned an academic study which questions the need for the closure.

BP yesterday confirmed that the closure of the plant, which represents about a third of UK capacity, will lead to a short-fall of about a fifth in UK pro-

duction compared with demand. BP said: "We haven't yet finalised how this shortfall will be made up."

The closure, scheduled for next month, will lead to a loss of 300 jobs. BP employs about 1,500 at the complex.

Some members of the engineering union, the AUEW, and the white collar union, ASTMS, have already agreed to take voluntary redundancy, but so far members of the TGWU, the largest union involved, have not.

Mr George Robinson, TGWU secretary at Grangemoor, said yesterday the union feared that closure of the plant would be followed by further redundancies and big changes in working practices.

## Christopher Parkes looks at the plight facing subcontractors in the construction industry

## Plant hire companies look to the day when the earth moves

BRITAIN'S plant-hire industry may perhaps be forgiven for yielding to temptation.

Lured by lavish discounts from heavy equipment manufacturers and the half-promise of better times as capital allowances are phased out by the end of next year, they have been spending heavily on cranes, bulldozers, earthmovers and diggers.

The trouble is that demand for digging, scraping, shoving and lifting stubbornly refuses to rise.

In theory the future seems quite bright. Large construction companies are expected to slim down their heavy equipment fleets and turn more to the hire industry as they lose the right to write off the entire cost of capital equipment in the first year.

They are also becoming increasingly cost-conscious and the big civil engineers especially are subcontracting more heavy work. All of this is leading to a shift which could increase plant hire's share of the market from the present level of about 25 per cent.

BET, the international ser-

vices group and the country's biggest plant hire operator, is turning up to take advantage.

Its £53m bid earlier this week for G. W. Sparrow & Sons, a strong operator in the cranes business, is by far the biggest in a series of consolidations which is transforming the industry.

If the takeover succeeds, the combined turnover of BET's plant hire operation and Sparrow would top £115m on last year's figures compared with the £51m sales notched up by Hadden-Stuart, the second biggest operator in the land.

BET is aiming at one of the most troubled sectors. The £100m-a-year crane hire business suffers from a wide range of afflictions.

The large contracts where big cranes are most used are hard to find, especially since Saudi Arabia and other oil nations called a virtual halt to development projects.

Even when work is found contractors are often faced with a dilemma when the job is done. Sparrow recently brought back a giant crane from a site in New Zealand but increas-

ingly at the end of such long-haul operations companies try to sell their equipment rather than face the charges for shipping it back into the flat domestic market.

The crane sector has also been distorted by recent rapid technological advances. As machines have grown bigger, more powerful and more flexible, hirers have leap-frogged over one another to stay in the technological front line and be best placed to win any contracts which come up.

Undeterred by prices running into millions of pounds for thousands of tonnes, they have invested heavily in an already overloaded market.

"All the crane boys want to be in front with the most advanced equipment," says Miss Catherine Stratton of Greene and Co, the brokers.

But we are already heavily overpopulated with cranes at the heavy end in particular, and there is a very limited amount of work."

UK PLANT HIRE MARKET LEADERS			
1984 figures in £m			
	Turnover	Pre-tax profit	
BET Plant Services	90.34	4.67	
Hadden Stuart	50.87	2.34	
G. W. Sparrow	24.95	1.35	
Vibroplant	17.74	1.84	
Harvey Plant	14.48	1.08	
Scott Greenham	10.67	1.45	

panies' yards. A crane normally has a life of about 15 years.

Apart from the cost of the equipment, companies must maintain expensive teams of operators. Crane drivers are the elite of the workforce, paid handsomely for working in difficult and often dangerous conditions. They also have to be paid when they are not at the controls.

In today's market, Miss Stratton points out, a plant hirer can count himself lucky if his heaviest cranes are working six months out of 12.

Competition for contracts has depressed crane hire charges so badly that industry experts say few in the business are operating at economic levels. The

intensity of the struggle for jobs is partly attributable to the fact that since no big construction contractors own heavy cranes all business falls to the plant hire companies.

The consensus is that the sector needs to shed between 15 and 25 per cent of its capacity to be able to start making acceptable profits.

BET has declared that one of its prime aims in the bid for Sparrow is to cancel duplicated costs by reducing the target's crane fleet.

While this would help the business at large and possibly give BET an edge over its leading competitors such as Hadden-Stuart and Scott-Greenham, it is doubtful whether it would have much immediate effect on the many small, independent operators which have taken 50 per cent of the market by virtue of their ability to operate on low margins.

Sparrow's plight offers a clear picture on the leading companies has suffered particularly heavily from the end of the building boom in Saudi Arabia.

## Peace plan for shipyards

By Helen Hague

SHOP STEWARDS at Swan Hunter's four Tyneside shipyards



## THE CONSERVATIVES AT BLACKPOOL

REPORTS BY IVOR OWEN AND LISA WOOD. PICTURES BY ASHLEY ASHWOOD

## Thatcher demands people's crusade against violence on British streets

A "good neighbours" crusade against violence on the streets of Britain was called for by Mrs. Margaret Thatcher, the Prime Minister, when she wound up the Conservative conference at Blackpool yesterday.

Mrs. Thatcher refused to accept that the high level of unemployment justified a change in economic policy or provided an excuse for law-breaking. This was endorsed by an enthusiastic audience who were subjected to security screening before entering the hall.

They rounded off an eight-minute standing ovation by acknowledging Mrs. Thatcher as party leader by chanting "10 More Years."

Mrs. Thatcher weaved the excesses of the miners' strike and the encouragement given by left-wing extremists to those who defy the law and impugn the police into a blanket condemnation of the Labour Party and the "craven" attitude of its leader, Mr. Neil Kinnock.

Her only indication of being aware of the pressures being exerted by some leading members in the Conservative ranks for more expenditure to be provided for capital projects

—articulated fresh by Mr. Peter Walker, the Energy Secretary, on the eve of her speech—was the blunt redefinition: "We will not reflate."

Mrs. Thatcher said other governments had deliberately created inflation in the hope of reducing unemployment and had always finished up with worse inflation and worse unemployment.

"You cannot build a secure future on dishonest money," she said.

Mrs. Thatcher carefully avoided identifying the politicians who she said, along with some pollsters, were suggesting that the British people would prefer more inflation and less unemployment.

"You cannot choose to have either inflation or unemployment. They are not alternatives."

She made her call for a community response to violence on the streets after accepting that people throughout the country were rightly concerned about security in their own homes.

"We utterly condemn anyone and everyone who takes part in riots in Britain," she said.

"Whoever these people are

who riot, burn and murder—wherever they are organised by—there is no excuse, no justification whatsoever for such crimes and vandalism."

To sustained applause, Mrs. Thatcher promised: "Those who take to the streets on the first available pretext, to fire, loot and plunder, will be subject to the full rigours of the criminal law."

Recalling that in Tottenham and Handsworth the police were subjected to a hail of bricks and petrol bombs, apparently ready to hand, she said one of the delegates at last week's Labour Party conference had been loudly applauded when he called the police "the enemy."

She maintained that the overwhelming majority of the British people regarded the police as friends, admired them and were deeply thankful for their courage and that of their families.

Mrs. Thatcher said it was not the police who created threats to public order—all too often, as had been seen only too tragically at Tottenham, they were its victims.

"Nor is it social conditions that generate violence. Yes, unemployment breeds frustration, but it is an insult to the unemployed to suggest that a man who does not have a job is likely to break the law."

Mrs. Thatcher emphasised that the overwhelming majority of British citizens—black or white, in or out of work, living in the suburbs or city centres—chose to respect the law and would have no truck with crime masquerading as social protest.

Promising that the Government would continue steadfastly to back the police, Mrs. Thatcher said: "If they need more men, more equipment, different equipment, they shall have them."

"We do not economise on protecting life and property. She also promised the Government would oppose politicians, national or local, who wanted to interfere in the operational independence of the police."

Underlining the role of neighbours, she said upholding the law could not be left to the police and the courts alone.

"We are all involved. We cannot pass by on the other side."

She said the hard left had been operating within the political system and conspiring

through union power or local government to break, defy and subvert the law."

"Because the Labour Party will not expel these people, a unique responsibility is placed on today's Conservative Party and Government."

"We have to conserve the rule of law itself, conserve it for people of all parties and of none."

She described this as the overriding duty of the party and said success would require the co-operation of every law-abiding citizen. No one could opt out.

Mrs. Thatcher was warmly applauded when she underlined the importance of the Government's achievement in withstanding the coal strike even though it had lasted over a year.

Though it was a strike conducted with violence and intimidation on the picket line and in the villages, Labour had supported it to the bitter end.

She asked: "What do you think would have happened if Mr. Scargill had won? I think the whole country knows the answer. Neil would have knelt."

She said Mr. Neil Kinnock, the Labour leader, had not shown courage in making a speech at Bournemouth last week attacking Mr. Arthur Scargill, the NUM president, long after the event.

To a roar of approval she said: "Courage is what you show in the heat of the battle—not at the post-mortem."

Real courage had been shown by the working miners, the working lorry drivers and the working steelmen and the working dockers—the very people the Labour Party disowned.

"But we Conservatives stood with them. The nation stood with us, and a major strike called without a ballot of its members failed."

"It was a notable victory for a free, law-abiding people and their freely elected democratic government."

Mrs. Thatcher also rebuked the teachers who went on strike and exposed their pupils to risk. She said the pay scales on offer to the teachers would mean that in November next year a new graduate could earn £7,500 a year while the head of a big secondary school would be entitled to more than £24,000 a

year—and there would be much better promotion opportunities in between."

This was not only a fair deal for the teachers but it would introduce a salary system designed to reward the better ones and to spell out teachers' duties clearly so that all the arguments could be left behind.

Appealing for an early end to the strike she said: "Teachers should lead by example—and this is a bad one."

She said that Labour's policy on the trade unions would lead to the "barons of the block vote" having their feudal powers restored.

Labour policies, she said, would result in the pension and insurance fund money of some 12m people being hijacked and there would be the usual mish-mash of higher taxes and higher borrowing.

"Back to a high tax society. Back to the old days of inflation by social contract. Back to rule by Congress House when the Labour Party was a wholly-owned subsidiary of the unions."

Mrs. Thatcher said those who wanted the country to have a strong and sure defence could not rely on the Labour Party or the Social Democrats or the Liberals.

She said Mr. Gorbachev's recent offer to reduce the number of nuclear weapons held by the East and West was a recognition of the West's strength and cohesion. This had been responsible for bringing the Soviet Union back to the negotiating table.

"Our wish is to see substantial reductions in nuclear weapons, provided they are balanced and verifiable."

Expressing confidence in the way President Reagan will conduct his meeting with Mr. Gorbachev at the Geneva summit, she said: "The West could have no better or braver champion."

Mrs. Thatcher gave these objectives for the next decade—a Britain where three out of four families owned their home; where owning shares was as common as having a car and where families had a degree of independence their forefathers could only dream about.

She also envisaged a renaissance of enterprise, with more people self-employed, more businesses and more jobs.

## Warning to unions over rights of members

ANY ATTEMPT by trade union leaders to return to the role of dictators will bring new legislative safeguards for their rank and file membership. Mr. Kenneth Clarke, the Paymaster General, assured the conference.

Making his debut as a Cabinet Minister and chief spokesman for the Department of Employment in the Commons, he confirmed that the Government would not be rushing into legislation to impose fresh curbs on the trade unions.

He insisted that the democratisation of the trade unions, through the statutory requirement for ballots, to determine decisions on strikes, and other issues would prove irreversible.

Mr. Clarke said: "If Scargill and Todd and their like think they can hold back the tide of democracy in their unions, they are as foolish as King Canute."

"They cannot, in our open and free society the ballot box must be here to stay in trade union affairs."

He stressed that if the balloting provisions were undermined or side-stepped action would be taken to mobilise public opinion through the publication of green (consultative) white papers.

Mr. Clarke said: "If we have to, we will not shrink from introducing further legislation to protect and maintain the rights of individual trade unionists within their trade union movement."

He ignored a call from Mr. Alan Paul, chairman of the Conservative trade unionists, for "fine tuning" to rule out workplace ballots and require that they should all be conducted by post.

Mr. Clarke, who pointedly referred to Lord Young, the Employment Secretary, as his new colleague rather than his political boss, said the Government was happy to work reasonably with genuinely democratic trade unions responsive to their individual members.

He accepted a motion urging other areas in the trade union movement which could be made more democratic, but suggesting that no new measures be introduced to lessen individual employment protection.

He explained that the Government had no intention of eroding the legal protection of individual workers, so long as their retention did not damage new job opportunities.

He cited the promised legislation to reform wages councils—to be introduced in the parliamentary session opening next month—as an example of this approach.

For every young worker wages councils might in theory assist, he said, they usually priced several out of jobs.

Miss Lesley Fields, of the Transport and General Workers' Union, who opened the debate, argued that legislation was needed to prevent union officials being able to hold positions for life. To applause, she said: "We have already seen far too much of Scargill."

Mrs. Angela Bentham, from Preston, a member of the National Association of Local Government Officers, criticised the Government for denying trade union membership to staff at GCHQ, Cheltenham.

She said: "This Government cannot condone a situation where moderate people can say that they enjoy more personal liberty and individual freedom under a Labour Government than a Conservative Government."

However, the rank and file do not believe that the Government's basic strategy is wrong. They are still at the stage of blaming presentation and were clearly reassured by the aggressive approach of Mr. Tebbit the man of the week, in his two speeches as party chairman. He symbolised, as does Mrs. Thatcher, the values of suburban striving, discipline and success which they share.

The mood has undoubtedly been affected by the heavy security and the constant, largely unspoken, memories of last year's dreadful events at Brighton. Despite an ability to adapt to such precautions, representatives have tended to



Mrs. Thatcher acknowledges the applause for her speech: from left, Sir Geoffrey Howe, Lord Whiteclaw, Norman Tebbit and Dennis Thatcher

## Peter Riddell on the debates' subdued tone Party unites to achieve main ambition of limiting damage

IT HAS been a party managers' and a Chief Whip's conference. Apart from Mr. Peter Walker's annual raising of the flag of dissent on the fringe, everything has been orderly and restrained on the floor.

This is in marked contrast to the last mid-term conference in 1981. Then the conference was electrified by Mr. Edward Heath's intervention in the economic debate when he urged representatives not to clap—

"it might annoy your neighbours." That conference was held at the height of the revolt of the "wets" just after Mrs. Thatcher had purged her

Cabinet of Sir Ian Gilmour, Mr. Mark Carlisle and Lord Soames and brought in Mr. Nigel Lawson, Mr. Norman Tebbit and Mr. Cecil Parkinson. There was even talk of a challenge to Mrs. Thatcher's leadership.

Now the "wets" are generally subdued. There has been no public challenge to the strategy, apart from Mr. Walker. Mr. Francis Pym has been silent this week and Sir Ian Gilmour, is very much a voice on the outside. No-one would dream of standing against Mrs. Thatcher.

This week's placidity is not entirely due to the party managers. Skilful though they were in neutralising a potentially difficult debate on immigration, there has been no real desire to rock the boat.

Judging by the comments of representatives they are uneasy but at present no more. They realise from canvassing in constituencies that Mrs. Thatcher is unpopular with many previous supporters.

Ordinary people in semi-detached houses whom Mr. Walker "scribed as the Tory bedrock."

However, the rank and file do not believe that the Government's basic strategy is wrong. They are still at the stage of blaming presentation and were clearly reassured by the aggressive approach of Mr. Tebbit the man of the week, in his two speeches as party chairman. He symbolised, as does Mrs. Thatcher, the values of suburban striving, discipline and success which they share.

The mood has undoubtedly been affected by the heavy security and the constant, largely unspoken, memories of last year's dreadful events at Brighton. Despite an ability to adapt to such precautions, representatives have tended to

spend more time in the conference centre of the Winter Gardens to avoid repeated and lengthy security checks. This has hit the cafes and bars. In the evenings, there have been fewer representatives in the head-quarters Imperial Hotel; as Mr. John Biffen commented in a television interview, the nature of conferences has been changed permanently and for the worse.

External events have also brought the party together. Mr. Neil Kinnock's successes in Bournemouth, the Tottenham riots, and the memoirs of Sarah Keays have all produced unity and a desire to hit back. While there were doubts about government policy after the inner-city riots of 1981, the greater violence now can be blamed on criminals and, indirectly, on the attitude of some local Labour leaders towards the police.

Yet the outward calm of the conference may have been misleading. The party activists are looking for a strong lead, a clearer vision of where the Government is going and this was the aim of Mrs. Thatcher's speech yesterday. The representatives could be more restless in a year's time if the party continues to do badly in local elections and parliamentary by-elections.

Mr. Walker's remarkably uncodified speech on Thursday evening was in part a recognition of this apprehension. He was looking ahead—first to the Cabinet arguments over the next month about public spending and secondly to the battle for the leadership of the Conservative Party after the next election.

The irritated response to the speech yesterday from Mr. Lawson showed that Mr. Walker, may face a difficult time in Cabinet in the next few weeks.

Until Thursday evening Mr. Walker had had a poor conference, misreading the mood with his backward-looking speech bashing Mr. Scargill, Mr. Michael Heseltine, his Cabinet rival for the leadership of the traditional Tories, similarly did little to enhance his reputation.

The main gainer from the week was Mr. Douglas Hurd who showed considerable skill for a new Home Secretary in the law and order debate. He has established himself as a figure of some weight, similar perhaps

to Mr. Robert (now Lord) Carr in the 1970-74 Heath Administration.

Mr. Kenneth Clarke, newcomers to the Cabinet, also turned in solid performances. And Mr. Lawson for once, did well, showing that he cared about preparing for his conference speech and avoiding the considerable criticism which undoubtedly would have resulted if he had failed again. Mr. Leon Brittan, apparently somewhat to his surprise, was given a standing ovation not only for a good speech but perhaps as a sign of sympathy for his abrupt move in last month's reshuffle.

The main loser, or rather fall-guy, has been Mr. Jeffrey Archer, the new deputy party chairman. He is having to re-discover the hard way the difference between the aggressive salesmanship needed to promote his books and the subtler and more discreet talents of politics. His frank remarks last Sunday about some of the young unemployed getting off their backsides sent shudders through many senior Tories, even though privately many agreed with him.

Mr. Archer's main job will be to enthrone the faithful at which he is very good. But he knows he will have to be more careful in his public statements, although in an earlier interview with a Young Conservatives paper published yesterday he said that if he were sacked he could go back to a film job as a writer.

Overall, the main immediate test for the conference will be what happens in the opinion polls. The repeated challenge from ministers to Mr. Kinnock, to match his eloquent words with actions against the hard left, was a tribute to him. It showed that the Tories believe the Labour leader has made an impact. Of course the row over the Tottenham riot could now dent Labour's standing.

It is hard to see the Conservative conference as more than an exercise in damage limitation, with little positive impact after the successes of earlier party conferences this year, but that is better than the leadership had feared at one stage and they can look forward to the more normal conditions of Westminster, where they can try to set the agenda.

## Iron Lady casts armour aside and professes heart of gold

MRS. THATCHER was wafted out of the conference hall yesterday to the strains of Land of Hope and Glory and the traditional tide of adulation from the rank and file.

At the end of a difficult week for the Conservatives, Harvey Thomas, the party's publicity guru who used to organise the Billy Graham religious crusades, beamed his approval at these moving scenes.

With much criticism of her strident style, the Iron Lady seemed to have laid aside some of her armour for this performance.

In an interview some years ago she compared herself with the strict nurse urging the patients to get out of bed and stretch their legs rather than expect gentle ministrations.

But in several passages yesterday—notably that of the plight of the unemployed, her voice dropped to a gentle, coaxing sound. Did she really understand the problems of those on the dole? Of course she did; their concerns occupied all her waking thoughts.

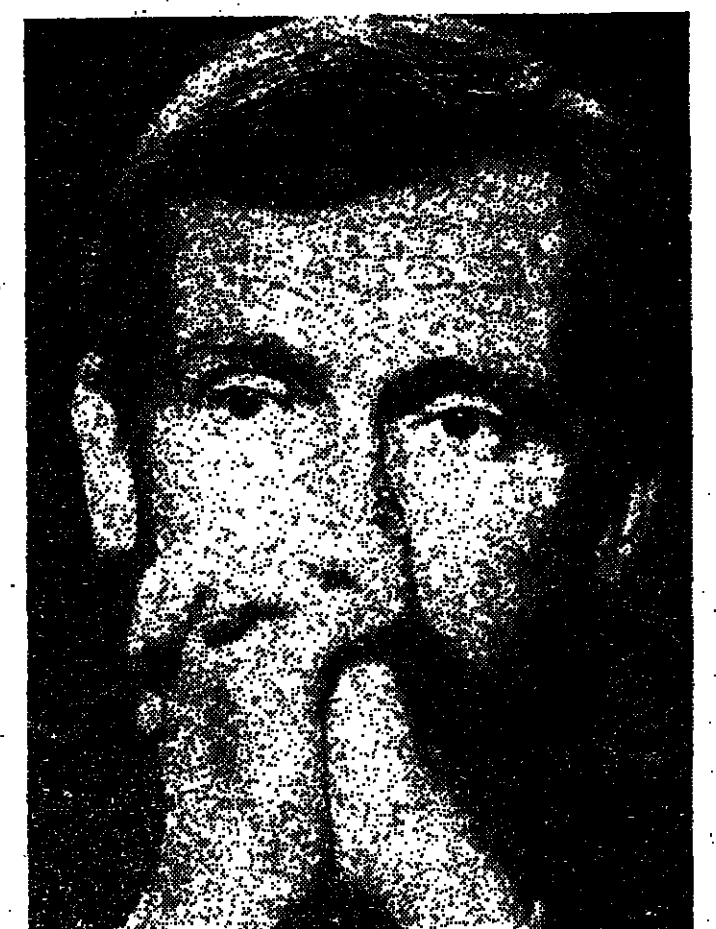
It seemed that the nurse had undergone a change of heart and was now only too eager to soothe the fevered brow and smooth the bed sheets to make the patient comfy.

Like most other speeches of the week much of it was taken up by the obligatory attack on the Labour Party and patronising denigration of the Liberal/SDP Alliance.

It was these flashes of the old combative Maggie that drew the biggest response from the party faithful. The publicity men are clearly up against a tough job in getting the new, softer Thatcher image accepted.

This year's carefully orchestrated build-up to the leader's entrance was as fascinating as the speech itself. The customary financial appeal was being launched by none other than Jeffrey Archer, the new deputy chairman of the party. Unfortunately, his first conference appearance coincided with yet another indiscreet interview on his part this time in the Young Conservative newspaper The Crusader. In this he unburdened himself on the shortcomings in the presentation of Tory Party policy. "It's been pathetic, hasn't it? It has been non-existent. You would not buy a used car from this Government, would you?"

In vain did he protest in TV interviews that the following paragraph had not been quoted. This was producing damn good copy but not telling anyone about them.



Jeffrey Archer: in difficulties over "used car" comments.

As he said in the interview: "I am the senior volunteer in the party. So I can say what I like and if I am sacked then I go back to a film-a-year job as a writer."

In any case, this latest slip-up did not seem to have much effect on his reception in the hall. With all his old bounce he ruthlessly hijacked the conference audience by demanding that everyone produce a £5 note to donate to party funds and wave it above their heads. Thus shamed into acquiescence, they dutifully obeyed.

As an official of the Romford Conservative Association had once said in introducing him, Jeffrey has very "debatable qualities."

According to the Prime Minister, in yet another invidious comparison with Labour, "we in our party really rather like one another." Perhaps so but there did not seem to be any prominent "wets" present to join in the applause when she sat down. There had, however, been a report that one of her chief critics within the party, the elusive Mr. Francis Pym, had been spotted lurking behind a pillar in the upper gallery rather like a phantom of

the opera.

Mrs. Thatcher believed that it had been a "serious, friendly and responsible conference." Others have privately used the phrases bland and boring as a more accurate description.

Earlier yesterday morning, the week drifted to a quiet close with a debate in which speakers congratulated themselves on the party's record on trade union reform. They then glided gently on to a debate on the environment where there were many nostalgic descriptions of England's green and pleasant land.

According to the gentlemanly Sir Humphrey Atkins, president of the National Union which organises the conference, we can expect Mrs. Thatcher's tenancy of Number 10 to continue for many years to come.

He did not enlighten us on whether the same could be said of Jeffrey Archer's occupancy of the deputy chairmanship.

Outside in the streets things were less certain. A pro-Maggie crowd at the entrance to the hall sang Rule Britannia. A few streets away left-wing demonstrators marched to the chant of "Maggie out."

John Hunt

## Archer hits at policy presentation

MR. JEFFREY ARCHER, the new deputy chairman of the Conservative Party, yesterday attacked the presentation of his party's policies in an interview in the latest issue of the Crusader, the journal of the Greater London Young Conservatives.

Mr. Archer was quoted as saying: "I'm unpaid. I am the senior volunteer in the party, so I can say what I like and if I am sacked then I go back to a film a year job as a writer."

When asked in the interview about recent criticism of the presentation of government policies, Mr. Archer was quoted as replying: "It's been pathetic, hasn't it? I wouldn't buy a used car from this government would you?"

He went on: "That's the problem. They are making damn good cars but they are not telling the people what they've achieved."

"Look at inflation, we can forget it. Old-age pensions are now collecting their pensions without fear of 10 per cent inflation."

"We forget to tell people. We just tick it off as an achievement and we wallow behind the unemployment figures as our big failure. The unemployment figures had better be done about them by the next election."

Earlier in the article Mr. Archer was quoted as saying: "There is only one long-term priority and that's to win the general election. That's the only priority, every single thing we do has that in mind."

PM's speech 'empty of hope'

MR. NEIL KINNOCK, the Labour leader, told a meeting of his Lalwyn constituency party last night that the Prime Minister's speech had been "empty of content and empty of hope."

The Conservatives had revealed themselves as a party ready to be beaten—they had run out of ideas, they were running out of excuses, and were now running out of patience with each other.

"The divisions this morning between Lawson and Walker were just the latest proof that, underneath the robot unit of their conference, they are going at each other like ferrets in a sack."

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## Pressure on councils to sell derelict land

THE GOVERNMENT is to take a tougher stance against local authorities which refuse to sell their derelict land sites.

Mr. William Waldegrave, the Environment Minister, announced the crackdown in his reply to the debate on the environment in which the Government was urged to improve the quality of life in urban and rural areas.

Under the Government's 1982 Derelict Land Act, local authorities are obliged to sell off their derelict land. Mr. Waldegrave said that the Government had details of 120,000 acres of such public land, more than the area of the Isle of Wight. Most was in towns and 60 per cent was owned by councils, he said.

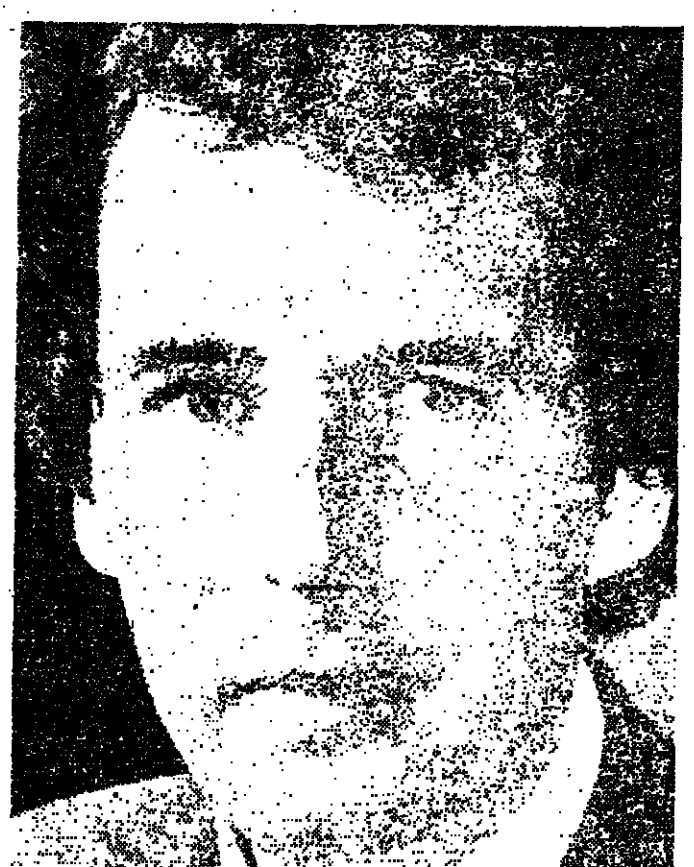
"So far we have got them to sell 20,000 acres and put another 6,000 back in use. It's not enough. If necessary we will get very much tougher."

Many houses, he added, could be built on such sites.

After the debate, Mr. Waldegrave confirmed that 50 orders to sell had recently been issued by the Department of the Environment to holders of public land and that he would like to see more.

He listed Conservative action on protecting the environment, including action on lead in petrol and acid rain. He said the public had the right, for example, to inspect registers, kept by water authorities, showing who was allowed to put water into a river.

"If you don't like what you discover, you can now object to it. That is the principle I want to extend. I believe you do have a right to know who is doing what to your environment. We are at work now to see what



William Waldegrave: listed Tory action on the environment.

further steps we can take towards making this ideal a reality in law and practice and which does not make life impossible for industry."

Mr. Waldegrave spoke of the planning mistakes of the past with people now not being able to stand "the vandalism and violence on bleak staircases and concrete corridors."

"What we have to do is to

show that if you put private money—and good design—and planning on a human scale together, you can turn the tide in the cities."

He mentioned the London docklands as an example of successful inner-city renewal.

Turning to the countryside, Mr. Waldegrave said that given surplus production of foods through intensive farming it

was crazy to encourage farmers to cultivate moors and water meadows. "So now," he said, "we are changing the balance a bit by getting European policy altered and by developing ourselves, new ideas about how to help less-intensive farming."

The most vivacious contribution from the floor was from Mr. Kevin Johnston (Monklands East) who talked about the problem of the homeless and the use of expensive temporary bed and breakfast accommodation. "I call upon the Environment Secretary," he said "to commission a report on how local authorities deal with the homeless. There must be an alternative to spending millions of pounds on bed and breakfast." The money, he suggested, could be diverted into building houses for the homeless.

Mrs. Joy Eade (Aberavon), spoke of pollution of the sea and stressed that cleaner beaches meant more tourists and more tourists meant more jobs.

Mrs. Christine Marsh (Tiverton) asked that the countryside should not become a living museum and that planning authorities should be more flexible to the conversion of farm buildings for tourist accommodation.

Mr. Brian Oxley (Derby North) made one of the new references to government urban initiatives, such as urban development grants and enterprise zones, and he attacked the reluctance of Labour councils to build on Tory initiatives such as enterprise committees.

Mr. Harold Davis (National Association of Conservative Graduates) said: "We are the natural green party."



## FINANCIAL TIMES

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# End of the season

IT MUST say something at least for the fluidity, but also for the liveliness, of British politics that all four parties in their different ways have enjoyed a successful conference. The Social Democrats, who started the season in Torquay, have shown that they have grown up: their conference was bigger than before and the party looked less of a one-man band than it did a year or two ago. Dr David Owen, the SDP leader, is a formidable figure whom the other parties attack only with caution. He now looks as if he has a machine behind him.

The Liberals, who followed in Dundee, demonstrated that they are capable of controlling their wilder elements who have sometimes appeared like the left wing of the Labour Party without trade union support. The SDP-Liberal Alliance is intact and there may even be fewer policy differences between its components than within the Labour and Tory Parties.

In Bournemouth Mr Neil Kinnock was a revelation as a Labour leader determined to lead. Mythology has it, not without some justification, that this is the last thing any Labour leader is capable of doing. Certainly the Tories do not seem to have taken on board the possibility that a sea change may be under way. They spent much of this week in Blackpool admiring Mr Kinnock for the vigour of his speeches, while proclaiming that he would be unable to deliver.

For all that, the Tories too had a good conference: probably against the odds. They have spent much of the last two years down in the dumps, down in the opinion polls, down in the by-elections, down in the local elections and seemingly fatally attracted to slip on any banana skin even when it was in open view. They looked tired.

Blackpool has been a stimulant. It is possible that there is something about the Tory psychology that requires a challenge in order to make an effort. The inner-city violence which has been going on intermittently throughout the conference season could have helped to produce it. Law and order is a subject on which the Tories, of all parties, cannot be seen to be deficient.

A Tory government that fails to maintain order under the law loses a large part of its *raison d'être*. There were other challenges that had to be met. The reshuffled Cabinet needed to assert itself: a new Home Secretary, a new Secretary of State for Trade and Industry, for Environment, for Employment and a new party chairman in Mr Norman Tebbit. In particular, Mr Nigel Lawson, the Chancellor of the

Exchequer, who looks likely in the modern fashion to occupy 11 Downing Street for the duration of a Parliament, had to show that he knows what he is doing about the economy. Not least, the Prime Minister, who is 60 tomorrow, needed to demonstrate that she can still more than stand up to those in their 40s who lead the other parties.

By and large, the Tories pulled it off. The Chancellor set clear economic goals of lower inflation, reduced taxation and greater job creation. He will be judged by how far he achieves them. Lord Young, the Employment Secretary, explained the changing structure of the economy and the necessity of becoming more competitive. Mr Douglas Hurd emerged as a tough, but wise, Home Secretary, and one began to understand the move of his predecessor, Mr Leon Brittan to Trade and Industry. Mr Hurd is better in public, and nowadays the Home Secretary is very exposed to the public view.

Mr Thatcher said in her closing speech yesterday that it had been a "responsible" conference of people who know what it means to hold power. She had it about right, even if it has taken the Tories a couple of years to wake up since winning their overwhelming parliamentary majority in the last general election.

## Key test

So now it is shortly back to Westminster. The much-hyped Tory new vision turns out to be very largely the old vision writ more clearly: competition, less government control and more private ownership, coupled with the continuing attack on inflation and the attempt to curb public spending. It appears to have been acknowledged that the message was not well explained before. In the next two years it is up to the Tories to emphasise the safety net for those affected by change as well as the incentives of a more entrepreneurial society, and to add a measure of awareness of social conditions to that rather stark phrase "the maintenance of law and order." The level of unemployment is still likely to be the key test.

Two years is a long time: too long for another outbreak of election fever. The Tories are the Government and should get on with their task. What has become clear in the last weeks, however, is that they have partially succeeded in educating the other parties into accepting that there are no simple solutions. British politics may be sadder than a few years ago; but also wiser. As for Labour and the Alliance, they have time enough in which to develop their policies.

# The tunnel reaches the City

By John Makinson and Andrew Taylor

NOT MANY of the City's top fund managers boast a background in geology or engineering, but by the end of this month almost all should be conversing fluently about the merits of lower chalk and reinforced cylindrical caissons.

Their sudden interest is not surprising. London's financial institutions will, in the next fortnight, be asked to lend their support to rival schemes for a fixed link across the Channel. Since the cost even of the cheaper scheme is estimated at over £2bn, mistakes about chalk or caissons would come expensive.

The guts of the two proposals are contained in confidential information memoranda which have been circulated to institutions by the sponsoring groups. The Channel Tunnel Group, which is proposing to bore twin railway tunnels between Folkestone and Calais at a total cost of £2.36bn at current prices, has distributed a 21-page document which is a model of precision about costs and revenues but scarcely alludes to the financing option.

As for the more grandiose scheme, the rival Euroroute document is thoroughly lavish. With the assistance of artists' impressions and computer printouts, Euroroute explains in detail how it will raise — and then spend — approximately £4bn (current prices) which it will use to build tubes and bridges connecting England and France. Allowing for inflation and interest costs this figure will rise to £6.6bn.

The greatest obstacle to one or other being built is no longer geological or political, but financial.

Applications to build the link must be submitted to the British and French Governments by October 31. If the schedule is adhered to, the winner will be announced in mid-January and the first spade could be sunk by autumn 1987. The timetable is tight — and for a good reason. Both countries are facing elections on which the jobs to be created by the link could have an important bearing.

Mrs Thatcher has promised M. Mitterrand that the winning scheme will be announced before the French parliamentary elections next spring. And the British Government is only too aware that the next General Election campaign may be getting into full swing just as construction begins.

So financial institutions on both sides of the Channel will be under considerable political pressure to support the scheme. Bringing the French financial

community into line is probably the lesser challenge, since the principal sponsors are state-owned banks. In London, the fixed link groups — and by implication the Government — face more of an uphill struggle.

Four schemes are expected to be presented on October 31, but only two — Euroroute and Channel Tunnel Group — are likely to carry much weight. The financial assumptions and forecasts are bewilderingly complex in each case, but can be summarised as follows:

**Euroroute:** Led in the UK by Trafalgar House, Euroroute envisages a four-stage financing programme. Stage one costs, to finance the initial research and development work, have already been met by the consortium partners. Stage two, which will run from early next

Channel Tunnel Group: The GTG financing proposals are much less detailed. Unlike Euroroute, CTG has done its cost sums on the basis of 1985 prices so no account is taken of inflation during the construction period. CTG does forecast, however, that if the whole project were funded with equity, investors would receive annual returns of between 15.9 per cent and 16.4 per cent, depending on whether the link secures a duty free concession.

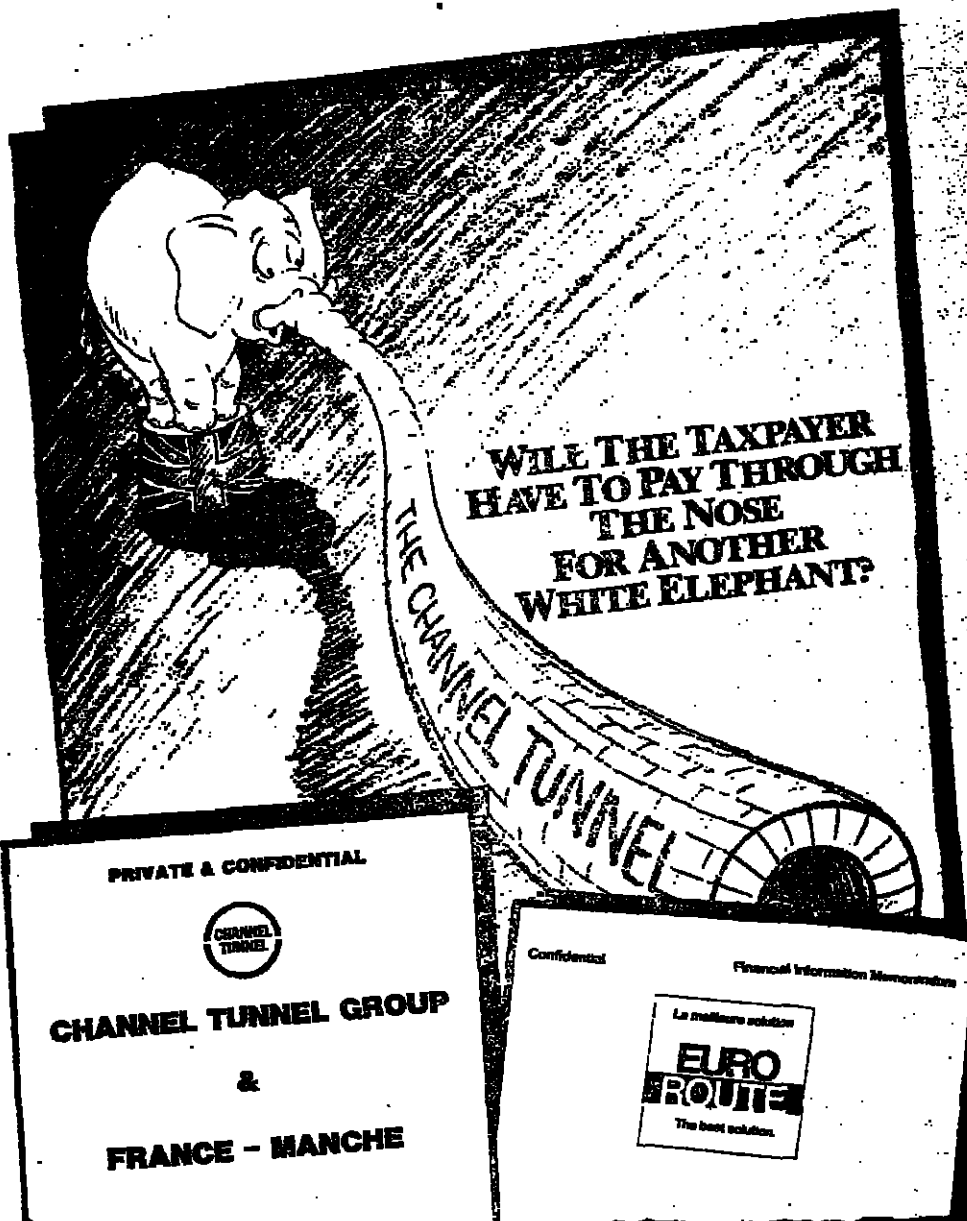
Both groups sound confident of receiving enough institutional support for their financial proposals to sound credible. Euroroute appears to have been putting its case across more aggressively — it has contacted almost 100 UK institutions — and can count for support on both the City's largest merchant bank, Kleinwort, Benson, and its most powerful stockbroker, Cazenove.

But appearances may be deceptive. Several fund managers concede this week that, while they saw no harm in expressing preliminary interest, they had grave reservations about the viability of both schemes. "It is very difficult for us to get an independent appraisal of this kind of project," one said. "But it does seem to us that both groups are taking an optimistic view of traffic revenue and are underestimating the potential competition from ferries."

Not all institutions are so gloomy, but it is perhaps a sign of their caution that many prefer the cheaper, technologically less ambitious Channel Tunnel scheme. "The thing against the tunnel is that it is not so user-friendly, but the commercial arguments suggest that the tunnel should have it by a long way. The forecasts on Euroroute look topside and the technology is a bit dicey," another fund manager argued.

For the Government, however, the Euroroute project has several attractions. It will create more jobs, particularly in areas of high unemployment, and is more likely to capture the public imagination than a straightforward tunnel. But, if the City goes cool on the whole idea, the Government may have second thoughts. While it has insisted that the whole project must be privately funded, it is almost inconceivable that, once the project is well under way, the Government could just ignore any financial difficulties. And the last thing any Government would want to nationalise is a white elephant 23 miles long.

**Mrs Thatcher has promised M. Mitterrand that the winning scheme will be announced before the French elections next spring**



A vigorous campaign against the tunnel is being led by Channel ferry operators—but prospectuses for the two major schemes are circulating secretly in the City

## A tale of two approaches

"IT'S LIKE the old story of the tortoise and the hare," said M. Jean-Paul Parayre yesterday over coffee and croissants in the dining room of a big hotel in the Faubourg Saint Honoré. "Our sympathies rivals have adopted from the start a strong public relations approach but we have been coming up from behind in our own quiet way."

The Channel tunnel project gives M. Parayre the chance to make a comeback on the French business scene. Just over 12 months ago, he stepped down as head of Peugeot after a long and much-publicised clash with M. Jacques Calvet, the private car group's current chairman. Since March he has been in charge of the French end of the Channel Tunnel group consortium called France-Manche.

Normally retiring and discreet, M. Parayre appears to lose all traces of shyness when he discusses the Channel tunnel. In his smooth and courteous style the former Peugeot chairman argues convincingly and earnestly in favour of France-Manche's twin-bore rail-only tunnel project and knocks, whenever given half a chance, the rival Euroroute bridge and tunnel plan. "We are cheaper; we offer a technically superior solution and a new transport concept; we will have a secure and complete international financial

package to finance the project," he says. M. Parayre acknowledges that his group has not been as aggressive in promoting its cause as Euroroute. But with the October 31 deadline for the bids closing in, he is starting to show his claws.

The competition between the two groups has been intensifying. Both Euroroute and France-Manche have held large PR presentations in Paris. The French Socialist government is encouraging the battle because it increasingly sees the project as a possible way of winning badly needed votes in next year's general elections in the depressed north.

Only ten days ago, M. Laurent Fabius, the Prime Minister, unveiled a new FF 3bn economic aid package for the north including the setting up of a working party to see how the fixed-link project could benefit the steel and coal region.

France-Manche appears to be favoured by the French railways which have been actively campaigning for a high-speed train link between the Gare du Nord and Victoria. But although France-Manche includes such powerful construction groups as Bouygues, Dumez, Spie Batignolles and big banks like Banque Nationale de Paris, Indosuez and Credit Lyonnais, the Euroroute project has probably the more

impressive lobbying gunfire. M. Parayre's opposite number at Euroroute is M. Jacques Mayoux, chairman of the nationalised Société Générale bank and former head of the French Saeil steel group. For the past few years, M. Mayoux has crusaded for his project and he is backed at Euroroute in France by Paribas, the leading French bank of affairs, the Compagnie Générale d'Electricité (CGE) and its Alsthom engineering subsidiary, the GTM Entrepose construction group, and Usinor, the nationalised steel company which recently joined the Euroroute consortium.

M. Jean-Yves Haberer, chairman of Paribas, argues that Euroroute's hybrid bridge and tunnel project "is a real project of the 21st century." The Paribas chairman does not seek the limelight. But he loses his traditional discretion when talking about Euroroute and its rival and clearly enjoys telling the story how, when he was still at the French Treasury, he found an old book on one of the secondhand stalls that fine the embankment of the Seine. "It was a red book about the 1865 Channel tunnel project. I've still got it in the country. It seems to be the blueprint for the France-Manche proposal."

Paul Betts  
in Paris

## Man in the News

Bernie Grant

# Town hall boss at the barricades

By Richard Evans



councillor. While the council leadership was being overturned, the battle was on for the Labour candidacy at Tottenham, one of the two Parliamentary constituencies in Haringey. Norman Atkinson, veteran MP and former Labour Party treasurer, had been under attack for years from Reg Race, dispossessed by boundary revision from a neighbouring seat.

It looked a straightforward contest, with Race the clear favourite. But Race, a close colleague of Ken Livingstone at the Greater London Council, then devised the formula that enabled the GLC to balance its books and set a legal rate. His standing with the left at Tottenham plummeted and Grant was pushed forward as an additional candidate.

Following the Broadwater estate riots, Grant intends to draw disaffected local blacks into separate black sections within the Labour Party — an arrangement specifically rejected by the national leadership in order to motivate them. It is a gamble that could backfire.

The key will be whether he can attract more blacks especially militants without alienating the traditional working-class Labour voter.

Some Labour moderates believe the seeds are now there for Labour to lose Tottenham, one of its safest London seats with a majority of over 9,000. "Bernie Grant is handing Tottenham away. I think we will have another Bermondsey on our hands," says one. (Peter Titchell, a far-left candidate, lost that safe Labour seat to the Liberals in February 1983.)

This would be much more likely to happen in a by-election than in a general election, however, and the very strong chance is that Grant will get to Westminster. Given the views he put forward at the Tottenham selection conference, nationalisation of the UK's top 25 companies, unilateral nuclear disarmament, withdrawal of troops from Northern Ireland, and a pardon for all miners convicted during the strike, it is not a pleasing prospect for Neil Kinnock.

BERNIE GRANT, Marxist leader of the London borough of Haringey, is one of the new breed of Labour activists who provoke as strong a reaction within the Labour Party as they do outside.

He has built up a loyal following among the unemployed, the blacks and the left in Haringey, where his aggressive anti-police attitude and often outrageous expressions of anger and despair strike a chord.

But to moderates within the local party he is viewed with fear, and to the party leadership he is unpredictable, hard to handle, and an obvious cut in the Conservative propaganda machine.

His position is particularly sensitive as he is not just Britain's first black council leader, he has also been chosen as Labour candidate for the safe seat of Tottenham and is therefore likely to be one of the first black MPs after the next election.

His off-the-cuff remarks after the appalling violence last Sunday on the Broadwater Farm estate in Tottenham that "what the police got was a bloody good hiding" and his failure to condemn the violence of black youths have brought swift denunciation from Neil Kinnock and Roy Hattersley.

But Grant is unrepentant. "The recent attacks on me by both the Labour and Conservative leadership reflects a view of politics by people very far removed from the Broadwater estate, black youth and the ordinary working class people of Tottenham," he says.

In a sense he still defends the riots, which he had forecast for months. "Had it not been for the disturbances, they (national political leaders) would never have heard of the estate and never have visited Tottenham." But he accepts that bridges must be built between the local community and the police and he intends to launch an initiative next week.

Grant came to Britain from Guyana in 1963, worked as a British Rail clerk at King's Cross and then started to read for a degree in mining engineering at Heriot Watt, Edinburgh. He left half way through

the course because he claims the university discriminated against blacks in giving scholarships for students to work in South African mines.

He was then an international telephone operator for several years and was active in the Union of Post Office Workers before joining the National Union of Public Employees. An item in his curriculum vitae states baldly: "Organiser in all Nupe strikes from 1978." His current job is senior district housing officer (community relations) for the London borough of Newham.

Like many similar Labour-controlled local authorities, Haringey was in a poor state of party organisation in the 1970s and the new breed of far left activists found local wards an

easy target to pick off. Grant became a local councillor in 1978.

After moving quickly up the council ladder to chair the public works committee, he got his big chance last summer over the rate-capping crisis. Against the advice of the Labour group's moderate leadership a majority, led by Grant, voted against setting a legal rate. When 11 Labour moderates then defied the majority and joined the Tories to set a legal rate, the leader and deputy leader resigned.

Grant was picked for his far left political views and on his close connections with the local black community.

Even his political opponents concede he is a forceful character and a man of some

charisma. Meeting him is a disorientating experience; his charm contrasts with his fierce political reputation.

After the election party moderates were in total disarray and have remained so. Like Charles de Gaulle, they have opted out on the supposition that Grant and his supporters will make such a hash of things that their services will be required to put matters right.

Since the rate-capping crisis there have been many allegations of intimidation within the council, and the depth of hatred of Grant among the moderates is extraordinary. "... the most evil man I have ever encountered in politics" is one comment from a fellow Labour

## BASE LENDING RATES

A.B.N. Bank	11½%	Hambros Bank	11½%
Allied Dunbar & Co.	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	Hill Samuel	11½%
American Express Bk.	11½%	C. Moore & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12%	Knawesley & Co. Ltd.	12%
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Bankus Beige Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12%
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12%	Roxburgh Guarantee	12%
Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**	11½%	Royal Trust Co. Canada	11½%
Citibank NA	11½%	J. Henry Schroder Wagg	11½%
Citibank Savings	11½%	Standard Chartered	11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Costes & Co. Ltd.	12%	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12%
Co-operative Bank	11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%	Members of the Accepting Houses Committee	
Duncan Lawrie	11½%	7-day deposits 8.00%, 1-month 8.50%, 3-month 9.00%, 6-month 9.25%, 12-month 9.50%. Top Tier—£2,500 at 2 months notice 11.25%. Ar. call when £10,000+ remains deposited. Call deposits £1,000 and over 8.00% gross.	
E. T. Trust	12%	21-day deposits over £1,000 8.25%.	
Exeter Trust Ltd.	12%	Mortgage base rate.	
Financial & Gen. Sec.	11½%	See Provincial Trust Ltd.	
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
Guinness Mahon	11½%	Demand dep. 8%, Mortgage 13%.	





Lech Walesa, who was awarded the Nobel peace prize in 1983, and Mother Teresa who won it in 1979, with (centre) Bernard Lown, from the U.S., and Jevgenij Tazarov, from the Soviet Union, leaders of the doctors against nuclear war campaign

### The task of the Nobel judges

## Troubled search for a prophet of peace

By Kevin Done, Nordic Correspondent, in Stockholm

TO CHOOSE the Organisation of International Physicians for Prevention of Nuclear War as the winner of the 1985 Nobel Peace Prize the five-member selection committee — working in absolute secrecy over the last nine months — first had to discard 88 other nominations ranging from Ronald Reagan to Bob Geldof, Winnie Mandela and Simon Wiesenthal.

The job would seem impossible. "In the modern world it can seem like a hopeless task to present a Peace Prize every year," admits Professor Jakob Brundrup, secretary to the Norwegian Nobel Committee.

The very diversity of previous winners — they range from Henry Kissinger to Mother Teresa and from Andrei Sakharov to the International Labour Organisation — would appear to make the task of defining the very concept of peace, let alone of selecting those individuals or organisations seen to be most fitting standard bearers of the cause.

The choice has often been controversial. When Henry Kissinger and Le Duc Thu won the 1973 prize for their part in ending the Vietnam War, two of the committee members resigned in protest, an alternative peace prize was instigated, and there were calls in the Norwegian Parliament for the whole committee to be dissolved.

Selecting a Nobel Peace laureate might appear from the outside to be a haphazard process at best, but in fact over more than 80 years certain definite traditions have evolved — not only for the selection of the winner, but also for the appointment of the selection committee itself.

The starting point is still the will drawn up by Alfred Nobel, who died in 1896.

Nobel, a Swedish scientist and businessman who made a fortune and created one of the world's first multinational corporations through his invention of dynamite, declared that his wealth — one of the largest

fortunes of the 19th century — was to be used to award five prizes to "those who, during the preceding year, shall have conferred the greatest benefit on mankind."

Three of the prizes were for science, physics, chemistry and medicine, while a fourth was for literature. The choice of peace as the subject for the fifth prize was far from obvious. Even today the name of Nobel is linked more readily with explosives and armaments — he also owned Bofors, the Swedish cannon-maker — than with the cause of peace.

The will states that the peace prize shall be awarded to the person "who shall have done the most or the best work for fraternity between nations, for the abolition or reduction of standing armies and for the holding and promotion of peace congresses."

From its very beginning the peace prize — the first award was made in 1901 to the founder of the Red Cross and the founder of the French Peace Organisation — was expanded to include humanitarian activities.

The concept of "fraternity between nations" has allowed the prize to go on several occasions to leading politicians or statesmen involved in the solving of specific conflicts. The controversies surrounding the award to Henry Kissinger and Le Duc Thu (the latter is the only winner to have refused the

prize) and Menachem Begin and Anwar Sadat are still part of living memory.

In 1970, however, the more general fight against poverty and famine was assimilated into the concept of peace, when the prize went to Norman Borlaug of the International Maize and Wheat Improvement Center in Mexico City. Probably the most important new area the Nobel Committee has been involved in, however, is human rights.

Professor Sverdrup claims this development began in 1960 with the award of the prize to Albert Lutuli, president of the African National Congress in South Africa. It has been strengthened by the choice of laureates such as Martin Luther King, Andrei Sakharov, Adolfo Perez Esquivel, Lech Walesa and Desmond Tutu.

The other important strand in the committee's deliberations is disarmament, an issue taken directly from Nobel's will and his reference to the need for the reduction or abolition of standing armies. This year's award to the International Physicians for Prevention of Nuclear War, an East-West organisation established in 1980 to research the medical effects of atomic warfare, has made in the shadow of the forthcoming meeting between President Ronald Reagan and the Soviet leader Mr Mikhail Gorbachev. It reflects a clear wish by the Nobel Committee to help focus world attention

on the issue of nuclear disarmament.

But who are the people who make these sometimes idiosyncratic choices and what are their qualifications to judge the cause of world peace?

Again Nobel's will provides the starting point. He gave the task of appointing the selection committee to the Storting, the Norwegian Parliament.

In the early years of the award the Storting associated itself very closely with the prize. The five-member selection committee was usually made up of serving politicians and was often chaired by a serving Prime Minister or Foreign Minister.

Such a close connection began to prove a political embarrassment, however, as the prize began to be seen more and more as an expression of official Government policy. In 1936 Halvdan Koht, then Foreign Minister and member of the Nobel Committee, asked to be removed from the selection procedure, a fact probably not unconnected with the candidature of Carl von Ossietzky, the German pacifist and prisoner in a Nazi concentration camp.

In 1937 the Storting passed a resolution forbidding members of the Government from sitting on the Nobel Committee. Since the controversies of the mid-1970s and the Kissinger award the Storting has distanced itself even further by avoiding altogether the selection of Members

of Parliament to the committee. The prize remains distinctly Norwegian and present committee members make no apology for that. "It is a western democratic view of world politics that is the guideline. We don't work in a vacuum. The world is seen through Nordic democratic glasses and these are not had glasses," says Mr Egil Aarvik, the 73-year-old chairman of the committee and a former Minister of Social Affairs for the Christian Democrats.

The committee, though it no longer has any serving MPs or Government ministers, still reflects generally the political balance in the Storting. As well as Mr Aarvik, the committee includes two Labour Party members, Ms Giske Anderson, an author and journalist, and Mr Odvar Nordli, Labour Prime Minister until 1981.

The two remaining members are Professor Francis Sejersted, professor of history at Oslo University, nominated by the Conservatives, and Mr Gunnar Stalsett, a 50-year-old theologian, former chairman of the Centre Party and now the Geneva-based general secretary of the Lutheran World Federation.

The deliberations of the committee are a closely guarded secret. Only once did discussion come out in the open — in 1974 after the Kissinger award — and then the dissenting members took the consequences and resigned.

Mr Aarvik claims the "prestige the prize has means that it acts as a shield for some people, that they cannot be touched. Sometimes it is not enough. Martin Luther King was shot, but Bishop Tutu, who did not dare lay a hand on him. This is not a decisive factor in the choice of a winner, but it is clearly important."

Ms Anderson expresses a slightly more modest ambition. "I believe at least that we don't disturb the peace. You cannot say that about many people."

### UK farming

## Why the growers' lot is not a hoppy one

By John Cherrington

FOR MANY years, the small band of English hop-growers seemed to be the favoured few among farmers. Growing a high-value product in a protected market, they seemed more than any others to be able to dictate selling terms to suit themselves.

Not any more, they are buffeted by the effects of Britain's entry to the EEC. In 1973 they have been further hit in the last couple of years by declining demand for their crop among brewers, and increasing cut-price imports from continental Europe.

It probably adds up to the worst crisis the hop industry has faced in at least 50 years, certainly worse than that in any other single agricultural sector in Britain. Post-war, hop prices have fallen by 17 per cent in the past two years, and 47 growers have left the industry altogether since 1980, leaving the total at 335.

The hop plant, which is native to Europe, has been cultivated in Britain since the early 16th century — in South-East England at first, spreading later to the West Midlands. In essence, the plant is of value solely to brewers. The female hop flower contains resins and other essential oils which, when introduced into the brewing process, give beer its aroma and, traditional bitterness.

At picking time every September, the hop gardens used to be a favoured destination for casual workers and their families from the cities to spend a working holiday in the open air.

The days of hand picking have long been superseded by the machine, and casual workers are few. But the remains of the hop-pickers' shacks can still be seen, and those who took part in the hopping still remember the rivalry and rustic excess which liberated the pickers from their drab lives in the slums of Birmingham and London's East End.

However, an intrinsic problem in hop-growing has always been the extremely variable yields from year to year and, as a consequence, unstable prices. Figures from the turn

of the century show that yields could vary by as much as 100 per cent from one year to another. Even then, imports — particularly from the U.S. and Germany — were a threat to British growers.

Although there was a reduction in acreage in the 1920s, production actually rose to an all-time high because of the first flush of mechanisation. Socially, master-owned implements were introduced into the garden to replace horses, which damaged the growing plants.

As a result, in 1922 the growers — a independent crowd as any in farming — took advantage of the Agricultural

units the board, acting as a single salesman, was able to call the tune.

But in 1973, when Britain joined the Common Market, the trouble started. It was not long before the EEC's attention was drawn to the board's anomalous position as a producers' cartel. Along with the Northern Ireland Price-Marketing Board, it was put out of business in the mid-1970s.

At the same time, the brewing industry was concentrating on very large centralised units. In effect, the roles in the industry were reversed: the brewers now were laying down terms and conditions to a fragmented group of growers.

About half of them formed a co-operative, English Hops; the remainder, with almost suicidal independence of spirit, opted to go it alone.

The brewers have several other advantages besides that of concentration. Over the past 10 years there has been a dramatic switch from bitter to lager. Hops are needed in brews but in nothing like the same quantities as for bitter.

In addition, growers have been victims of their own efficiency. Some of the newer varieties of hop have 200 per cent more bitterness than the traditional strains.

As if that were not enough, English growers have increasingly had to do battle with imports over the last couple of years. Here again, some of the growers appear to have done themselves down by demanding a higher price in 1983 for hops to be delivered in 1985 than the brewers were prepared to pay. This prompted brewers to look to Europe for their supplies; they claim that English growers were asking about double the price that the German producers were prepared to accept.

Imports are also coming from behind the Iron Curtain and even from China. Poland, for instance, will sell at almost any price for the sake of earning foreign exchange.

It is estimated that a quarter of the hops now used in Britain are imported. And that proportion could grow significantly in coming years.



### Changing the rates

From Councillor R. Clarke  
Sir, — Is it possible to reform the rating system so as to reduce its defects while at the same time help towards the solution of some other problems? It seems to me that a change in the rating of unimproved site values of all land has such an effect.

At present we rate buildings and improvements and derate empty land — in effect we tax development. A rate on unimproved land value would bring in much needed revenue (thus increasing the rating base while at the same time encouraging development by making it unattractive to hold land long out of use. It would have a stimulating effect on the derelict areas of many of our cities and give a major boost to employment.

As regards fairness since the unimproved value of a site is due precisely to such factors as access (highways), security (police and fire services), utilities (water, sewerage, etc) and the availability of many other services e.g. education, the level of rates would depend directly on the level of services provided to the site in question. Thus the provision of services and the payment for them would be directly connected — what could be fairer than that?

Is it too much to ask that this relatively simple change in the rating system be examined constructively before we get involved in such destructive ideas as a poll tax or further income or sales taxes?

Richard Clarke,  
Sunflower Cottage,  
Little London,  
Lechlade, Glos.

### Disclosure of commission

From Mr A. Wiener  
Sir, — By coincidence, two documents arrived on my desk the other day, and I would like to point out the way in which they are connected.

The Unit Trust Association wrote to my company's unit trust management subsidiary, unhappy about the White Paper proposals requiring disclosure of commissions paid to independent intermediaries.

The Centre for Policy Studies sent me Philip Chappell and Nigel Vinson's special pre-conference release recommending personal investment pools (PIPs) to encourage individuals to participate directly in the creation of wealth, so that they understand the benefits which wealth brings to society at large. "Ownership of second-hand is a sorry substitute."

Surprisingly, Chappell and Vinson have omitted to say that the multitude of so-called "investment advisers" will prefer to recommend a package of institutional investments,

### Letters to the Editor

because they can earn higher commissions by doing so. Investment management for individual portfolios is available through several members of the Stock Exchange who can share commissions with a registered agent.

The members of the Association of Independent Investment Managers are another obvious source of personal investment management, for those who do not want to take responsibility for their own portfolios. The fees charged by members of AIIM are so low however, that no agent would recommend them. It would take more than five years for the agent to earn as much as he could earn straight-away by persuading his client to purchase a unit trust, or another packaged scheme. The fact that the client may have only 85 per cent of his money invested and 5 per cent dissipated in commissions is not declared.

While high commissions remain available to agents, who are not required to declare them to their clients, it is difficult to believe that the agents will welcome tax concessions for direct investment in equities. I am convinced, however, that the Chappell-Vinson paper contains excellent ingredients for a successful capitalist economy.

At present, a mere 6 per cent of UK residents have direct personal shareholdings compared to 25 per cent in the U.S. and 35 per cent in Hong Kong. We know which are the more successful economies.

Anthony Wiener,  
19 Widdowgate Street,  
off Bishopsgate, E1.

### Dodging the car tax

From Mr P. Goode  
Sir, — There is a simple solution to the difficulty anticipated by Mr Critchley (Dodging the car tax, October 8).

Instead of being required to display the present tax disc, motorists would simply display an "MoT" disc. This should then please the insurance companies who could then, equally simply, refuse to issue insurance without presentation of an "MoT" document.

Alternatively the reverse procedure of displaying a "certificate of insurance" disc (with-out which an "MoT" would be refused) could be adopted.

The net cost to the population as a whole would be no different, it would just be distributed more fairly — where the costs lie.

Thus there are no real problems in doing away with the existing system — only imaginary ones, thought up for reasons of self-interest, by those anxious to preserve the status quo.

P. J. Goode,  
25, Croft Gardens,  
Rushlip, Middx.

### Facility for small investors

From Mr K. Tunstall  
Sir, — A facility for small investors not mentioned in Lucy Kellaway's article on tenders (October 5) is the "striking-price" application under which an investor elects to pay whatever price is eventually set. Unfortunately not all tenders provide this facility, but greater availability could encourage small investors as it overcomes the difficulty of pricing and precludes the risks associated with multiple applications and tendering high. The advantage of the tender method — that a true price can be freely established — should benefit all parties (vendor, advisor and investor) except perhaps the stag.

Keith Tunstall,  
38, Grove Street,  
Leamington Spa, Warwick.

### Nothing to do with the City

From Mr A. Alexander  
Sir, — I hope that many citizens or ratepayers of the City of London will join me in opposing the proposal that the City should take over the administration of Hampstead Heath. It is true that as a consequence of the City's laudable 19th century effort to create a green belt around London it administers such public open spaces as Epping Forest, Highgate Woods and Queens Park and it does so with reasonable competence in accord with Acts of Parliament.

But this is not in accord with any Act of Parliament, least of all one sponsored by itself. Hampstead Heath and its preservation has nothing to do with the present City. It seems to me that the Common Council has enough and more serious matters to consider — and administer.

Indeed there is a strong case for re-thinking the City's involvement with its present public open spaces.

I hope that this will be a matter for serious discussion at this year's Common Council elections. Why should the City have anything to do with a

political decision for which there is no case except that the Government cannot think of any other solution? No one else will thank the City.

A. M. K. Alexander,  
19, Primrose Hill Road, NW3.

### Money spent on marketing

From the Executive Director, British Information Technology Export Organisation  
Sir, — Britain's information technology industry has some important strengths but the ability to market its products, particularly overseas, is not one of them. Despite some notable exceptions, the industry is failing to exploit the commercial potential of many excellent products.

This is not the place to go into the reasons for this but the results are that import penetration increases and export market shares decrease. Depending upon the definition of information technology used the industry's trade deficit was £100m in 1980, is currently put at £2.3bn and is forecast to rise to £5bn by 1990. This, mark you, is the big growth industry of the age, the one whose products are increasingly permeating every aspect of life.

If the British IT industry fails to sell its products much more strongly than at present it will effectively cease to exist. It must, therefore, receive far stronger Government help with marketing; not for the sake of the companies which will otherwise fail, but for the sake of the industry per se, but for the sake of the total economy of this country.

In the face of all the evidence it is difficult to conceive the reasoning behind the bland (and blind) application of rigid policies long outdated. Industry would applaud, and would gladly work with a Government which acknowledged the problem.

Roy Porter,  
10-11, Bishops Court,  
Old Bailey, EC4.

### Litigation costs

From the Managing Director, Motorists Legal Protection  
Sir, — Thousands of businessmen have insurance cover for the legal costs incurred in a contractual or other commercial dispute, without realising it.

Such contracts are frequently arranged on a group basis by a trade association, and on an individual basis by an insurance broker.

The indemnity available is frequently high, £25,000 or more per dispute, and can be very material to the decision as to how best to defend a business's interests in a dispute. I would recommend any businessman contemplating litigation to enquire whether he has relevant cover.

Alan Wood,  
62-72, Victoria Street,  
St Albans, Herts

# A chance for workaholics to enjoy their day of rest.

**4**  
The Business Programme

Returns Sunday 5.15 pm.

This week — behind the scenes in the takeover battle for Allied Lyons and a new experiment with cashless shopping for the people of Northampton.  
Each week — a mixture of news, interviews and reports for people who take decisions or just like watching other people take them.



## UK COMPANY NEWS

## Aitken to buy Sentinel for £16.5m

BY CHARLES BATCHELOR

Aitken Hume, the fund management and banking group headed by the Aitken cousins, Timothy and Jonathan, is poised to buy the Sentinel Insurance Company, an unquoted life assurance company for £16.5m.

Aitken will finance the deal by the placing of about 11m shares worth £15m with a group of seven UK and overseas financial institutions and pay a further £1.5m in cash.

About 60 per cent of Sentinel's shares are held by accountants Price Waterhouse, acting as liquidators for the Israel-British Bank (London) which collapsed together with its Israeli parent company, the Israel-British Bank of Tel Aviv with a combined deficit of about £60m, in 1974.

The remaining shares in Sentinel are held largely by members of the Landy family, relatives of Mr Harry Landy, chairman of the Israel-British Bank at the time of its collapse and of Sentinel. The London arm of the bank was the only fully authorised UK bank to be allowed in full by the Bank of



Mr Timothy Aitken, chief executive

England.

Sentinel itself was never in difficulty but a large slice of its shares had been pledged to

secure lending by the Israel-British Bank.

Sentinel had assets of £43.6m at March 31 1985 and received total gross premiums of £5.5m, including £1.3m of new premiums in that year. It has about 22,000 policyholders.

Gross investment income fell marginally to £205,000 from £209,000. After deducting management expenses of £48,000 (including £14,000 in the value of investments), Sentinel recorded pre-tax income of £202,000 compared with £252,000 the year before.

Aitken Hume has spent the past eight months in tortuous negotiations with the shareholders, including liquidators of the Israel-British Bank both in the UK and Israel. It hopes to resolve the final legal details within the next week or so.

Aitken Hume has been looking for a suitable UK insurance company for some time to balance the U.S. arm of its business which arose when it acquired National Securities and

Research Corporation, a U.S. fund management company, in October 1983.

It plans to launch unit-linked insurance policies tied in with its existing unit trust operation. The life assurance link should make for more long-term holders of its unit trusts, Aitken Hume believes.

Aitken Hume has been recruiting new investment managers to improve the performance of its UK-based investment business. Sentinel is large enough to give a significant boost to this side of its operations, but because of its unusual share structure did not command the premiums being sought recently for other life assurance companies.

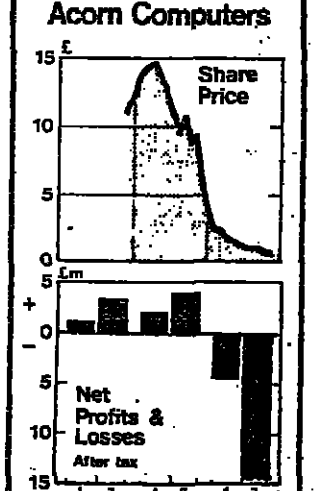
Aitken Hume's shares rose 17p to 164p yesterday. The company has arranged to place the shares needed to fund the Sentinel purchase after the 50 per cent of the 17m rights issue which financed the National Securities deal was left with the underwriters.

## Acorn £27m in red after write-offs

Acorn Computer Group, a one-time high flier on the USM, yesterday reported an attributable loss of £26.6m for the 1984/85 year with heavy write-offs taken both above and below the line.

In addition to the losses, Acorn is currently in dispute with HMI Customs and Excise over an assessment of a possible £2.6m under-payment of VAT in years prior to 1983/84.

Acorn Computers



This could lead to a qualification of Acorn's final audited accounts for the year to June 30 1985, but the company stresses that although in the early stages, the work carried out to date indicates that a significant reduction in the amount assessed is probable.

Acorn, which has seen its share price plummet since the latter part of 1984, was rescued this year by its creditors and Olivetti, the Italian company, which now holds nearly 80 per cent of the shares.

The 1984-85 result, struck after exceptional debits of £18.4m and extraordinary debits of £8.5m, is in stark contrast to the previous year when a taxable profit of £10.8m was earned. £6.0m was available for shareholders and a dividend was paid.

Turnover at £77.97m was 51.1m lower and produced an operating loss of £5.5m compared with a £10.3m profit. The loss was particularly affected by stock value reductions, cancellation of orders and allowances to traders costing £18.7m all told.

Another exceptional encumbrance, trading losses of £1.9m, while the overall figure was, to some extent, contracted by £5.4m of waivers from creditors and £1.8m of royalties.

The pre-tax result, a loss of £22.2m, also included £25.5m of interest charges, a saving of over £5m on the previous year's £474,000 credit.

Tax credits were £3.04m, leaving a net loss of £19.16m before extraordinary debits which comprised costs arising from the ceasing of direct sales operations in the U.S. and the withdrawal from active marketing in Germany.

Acorn has decided to change its year end to December 31; the next financial period will cover the six months to end-December 1985.

See Lex

## Interest costs and lower associates profit peg TKM

ALTHOUGH TRADING profits of Tozer Kemsley & Milbourn (Holdings) showed a 28 per cent growth in the first half of 1985, this improvement was offset by lower associates' contributions and higher interest costs.

As a result, pre-tax profits were only marginally higher at £2.41m, against £2.37m. Turnover of this international trading group rose by £27m to £287m.

In July, TKM announced proposals for a refinancing scheme. Following upon the IEL Group obtaining a 6.4 per cent stake that month, a total reassessment of the company's financial structure and activities is being carried out with the objective of gaining the benefit of the terms available from its bankers, as described in the circular.

Mr A. M. Davies, the chairman, says it is hoped that a further statement will be made to shareholders concerning the method of achieving this before Christmas.

Progress is being made in the disposal of peripheral activities and some write-offs are likely to be necessary at the end of the year.

In accordance with the undertaking given to the group's

principal banks under its revised banking arrangements, no dividends will be payable during 1985.

TKM has undertaken to pay no dividends this year and next year and thereafter to make no payments unless they are at least twice covered by earnings before extraordinary items and once covered by earnings after extraordinary items.

Trading profits for the period climbed from £2.23m to £2.71m. Share of associates' profits, however, dropped from £1.54m to £1.06m and interest charges were higher at £5.36m, against £4.7m, as a result of increased UK rates.

After tax of £1.15m (£1.14m) and minorities' earnings were marginally ahead at £1.23m, against £1.2m. Extraordinary charges took £239,000 (£259,000) leaving an attributable surplus of £866,000, compared with £941,000. Stated earnings per 20p share edged up from 2.5p to 2.6p.

The chairman reports that the UK passenger car market, although highly competitive, has been buoyant and the group's automotive companies have grown strongly with improved

margins. The North American property companies are, however, continuing to suffer from high real interest rates and traded at a loss.

Most forecasters had been expecting something nearer £2m from Tozer Kemsley and the almost stagnant earnings were a disappointment. The share price, however, held rock steady, for the truth of the matter is that Tozer's trading performance has been of little more than academic interest to investors since the restructuring last summer which left control of the company in the hands of TEL, the Australian industrial holding company headed by Mr Ron Brierley.

Since then the shares have crept up to their present level of 52p on speculation that Mr Brierley, who also heads BIL, New Zealand's second largest company, plans to use Tozer as a launching pad for the creation of a Hanson-type empire in the UK. If investors' dreams came true the shares would look a good buy now, but in any other case they are overpriced. It all comes down to a gamble on Mr Brierley's intentions.

## Reduced profits at Microlease

Microlease, which is engaged in the rental of professional electronic equipment, turned in reduced pre-tax profits of £400,000 for the six months to August 31 1985, compared with £503,000 last time.

However, with the benefit of improved sales and marketing effort, the board is confident that the full year will result in satisfactory progress over the previous year's £703,000 pre-tax. During the first half, margins and equipment utilisation levels have progressively improved as a direct result of the management action referred to in the chairman's last statement.

Turnover for the six months increased from £1.88m to £1.98m. After tax of £160,000 (£201,000) earnings per 10p share were lower at 7.1p, against 8.9p. The interim dividend is maintained at 1p net—last year's total was 5p.

The company has considerably increased its marketing effort and in comparison with this time last year, its customer base has increased by 25 per cent to almost 9,000 and is continuing to add new customers at a rate of 70 each month.

## Call for changes at Thames

BY RAYMOND SNOODY

SENIOR MANAGERS of Thames Television are pushing for a restructuring of the ownership of the company following the failure of the takeover bid by Carlton Communications.

They argue that fundamental change is needed now that British Electric Traction (BET) and Thorn-EMI have been discredited as potential sellers of their 95 per cent stake in the channel.

BET and Thorn signed agreements, subject to IPA approval, to sell their Thames stakes for

a total of £52.5m. On Thursday the IPA decided to withhold its approval for the take-over. Thames management now would like to see BET and Thorn become minority shareholders in a new company, a number of new institutional and company shareholders brought into Thames ownership.

They believe that a flotation of about 20 per cent of the shares, being planned for some time, is no longer an adequate solution.

The Thames management would however have to persuade

the non-executive directors who represent BET and Thorn on the Thames board of the need for radical change. The non-executive directors each have two votes and outvote the Thames management on the board.

Mr Hugh Dundas, chairman of Thames and BET, conceded on Thursday that Thames had been looking at a possible flotation. But following the IPA decision to block the Carlton take-over, he said he expected flotation moves might now be accelerated.

Hillsdown acquires 10% stake in OEM

Hillsdown Holdings has acquired 615,000 shares, or some 10.4 per cent, of Office and Electronic Machines, the UK sole distributor for Triumph Adler equipment. The shares are believed to have come from F. H. Tomkin, the engineering concern, which earlier this week decided not to proceed with an offer for OEM.

Hillsdown is mainly known as a food group, but it has an interest in the office equipment sector via its Cartwright Brice subsidiary.

## Tate &amp; Lyle strengthens North American interests

IN A DEAL which further strengthens its North American interests, Tate & Lyle, the UK group most noted for its sugar production and refining business, yesterday announced the £86m (£9.15m) purchase of Texas Chemical Industries via its Canadian subsidiary Redpath Industries.

The U.S. company, based in Midland, Texas, is a manufacturer of custom injection moulded products primarily for

use in the oil and gas drilling industry. The acquired assets will also be used to produce interior plastic parts for vehicles to be manufactured at the new Ford/Mazda plant in Hermosillo, Mexico, opening in 1986.

Textile Plastics will fit with Tate's Donlon moulded plastics business in Toronto, Canada, which was acquired in November last year and made a substantial contribution to Tate's £31m interim pre-tax profits.

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Fri Oct 11 1985										Thurs Oct 10 Wed Oct 9 Tues Oct 8 Year to Date (1985)										Highs and Lows Index																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Figures in parentheses show number of stocks per section		Index No.	Day's Change %	Est. Gross Div. Yield (1985)	Gross Div. Yield (1984)	Est. P/E Ratio (1985)	Vol. sold to date	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index 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## CURRENCIES and MONEY

## FOREIGN EXCHANGES

## Quiet end to a quiet week

Trading virtually ground to a halt in currency markets yesterday amid a mood of uncertainty and lethargy. The prospect of U.S. retail sales figures being higher than expected would have prompted a significant change in cross rates, a month ago. But with the threat of another push by central banks to reduce the value of the dollar and the proximity of a long weekend in the U.S., speculators and corporates alike declined to participate this time.

A larger than expected rise in U.S. retail sales did prompt a minor reaction, with the dollar moving slightly firmer. However, this was short-lived and fell from the day's highs was the result of open market dollar sales by the West German Bundesbank. The extent of inter-

## £ IN NEW YORK

	Oct 11	Prev. close
Spot	\$1.0188-1.0190	\$1.0188-1.0190
1 month	1.0188-1.0190	1.0188-1.0190
3 months	1.0188-1.0190	1.0188-1.0190
6 months	1.0188-1.0190	1.0188-1.0190
12 months	1.0188-1.0190	1.0188-1.0190

Forward premium and discount apply to the U.S. dollar.

vention was probably quite small in relative terms but served to remind the market that it would be unwise to dismiss central banks' resolve to contain the dollar. Earlier in the week speculators appeared to be renewed in their bets, suggesting that central banks were barking but not biting.

## DOLLAR SPOT—FORWARD AGAINST DOLLAR

Oct 11	Day's spread	Close	One month	Three months	%
UK	1.4070-1.4135	1.4115-1.4125	0.44-0.46 pm	3.81 1.15-1.10 pm	3.19
Ireland	1.1865-1.1880	1.1860-1.1880	0.20-0.10 pm	1.54 0.55-0.25 pm	1.37
France	2.3651-2.3711	2.3650-2.3710	0.04-0.07 dis	0.48 0.16-0.19 dis	-0.48
Germany	2.3710-2.3720	2.3710-2.3720	0.04-0.07 dis	0.48 0.16-0.19 dis	-0.48
Belgium	35.70-34.10	35.35-33.35	3-4c dis	2.15 1.70-1.85 pm	2.20
Denmark	8.59-8.64	8.54-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Portugal	162-164	162-164	100-300c dis	14.00 0.00-1.00 pm	14.35
Spain	161-162	161-162	25-40c dis	2.50 1.15-1.25 dis	-3.70
Italy	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
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W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis	0.23 1.1-1.15 dis	-0.62
Sweden	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
W. Ger.	2.470-2.480	2.470-2.480	2-3c dis	0.27 0.20-0.23 pm	1.40
Norway	7.85-7.92	7.85-7.92	2-3c dis	4.17 2.3-2.4 pm	-4.17
France	8.59-8.64	8.59-8.64	1-2c dis		











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Standard Life Assurance Company			OFFSHORE AND OVERSEAS		
3 George St, Edinburgh EH2 2JL			Tel: 025 2592		
Corporate	179.3	+0.0	<b>Archives Investment Fund SA</b> 37 rue Notre Dame, Luxembourg Accounts in £24.50 Tel. 47971		
Private	176.8	+0.3			
International	182.4	+0.4			
International	187.1	+0.4			
Foreign	211.3	+0.3			
Foreign	199.7	+1.3			
Foreign	200.0	+0.0			
Foreign	186.3	+0.4			
Foreign	180.2	+0.2			
Foreign	191.7	+1.3			
Foreign	202.0	+0.4	<b>Add Investment</b> Finance 700, 8000 Munich 1, Telex 524269		
Foreign	202.0	+0.4			
Foreign	211.4	+1.3			
Foreign	211.4	+1.3			
Foreign	211.4	+1.3			
Foreign	211.4	+1.3	<b>FINANCE RE</b> 25.50 -0.01 <b>Equities</b> 121.30 126.40 +0.50 <b>Bonds</b> 101.46 94.89 +0.59 <b>Commodities</b> 101.46 94.89 +0.59		
Foreign	211.4	+1.3			
Foreign	211.4	+1.3			
Foreign	211.4	+1.3			
Foreign	211.4	+1.3			

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<b>Marine Kante Int. Trust Co Ltd.</b> 10000 Kante, King William Street London EC3A 3DP 01-423 2694			<b>Partners International Advisory Ltd.</b> 10-12 Cockpit St, London W1 01-439 1371		
<b>Mar Wav Co Inc</b> 8,877-77, 10R wavy 100,80,80 100 Wavy Co, 100 Wavy Co 01-439 1371			01-439 1371		
<b>MAI &amp; W Co Inc</b> 100 Wavy Co, 100 Wavy Co 01-439 1371			01-439 1371		
<b>MAI &amp; W Co Inc</b> 100 Wavy Co, 100 Wavy Co 01-439 1371			01-439 1371		
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<b>MAI &amp; W Co Inc</b> 100 Wavy Co, 100 Wavy Co 01-439 1371			01		

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Trans International Fd. Mgmt. Ltd. (L)			S.E. Warnock & Co. Ltd. and subsidiaries			05-080 2222		
124, St. Helier, Jersey.			33, King William Street, L.A.					
0534 27461								
Portfolio Pds.			50.90	0.91%	Energy Oct 10	51.87		
Income Pds.			50.90	0.91%	Energy Nov 10	52.61		
Income Pds.			50.90	0.91%	Energy Dec 10	53.35		
Income Pds.			50.90	0.91%	Energy Jan 11	54.09		
Income Pds.			50.90	0.91%	Energy Feb 11	54.83		
Income Pds.			50.90	0.91%	Energy Mar 11	55.57		
Income Pds.			50.90	0.91%	Energy Apr 11	56.31		
Income Pds.			50.90	0.91%	Energy May 11	57.05		
Income Pds.			50.90	0.91%	Energy Jun 11	57.79		
Income Pds.			50.90	0.91%	Energy Jul 11	58.53		
Income Pds.			50.90	0.91%	Energy Aug 11	59.27		
Income Pds.			50.90	0.91%	Energy Sep 11	60.01		
Income Pds.			50.90	0.91%	Energy Oct 11	60.75		
Income Pds.			50.90	0.91%	Energy Nov 11	61.49		
Income Pds.			50.90	0.91%	Energy Dec 11	62.23		
Income Pds.			50.90	0.91%	Energy Jan 12	62.97		
Income Pds.			50.90	0.91%	Energy Feb 12	63.71		
Income Pds.			50.90	0.91%	Energy Mar 12	64.45		
Income Pds.			50.90	0.91%	Energy Apr 12	65.19		
Income Pds.			50.90	0.91%	Energy May 12	65.93		
Income Pds.			50.90	0.91%	Energy Jun 12	66.67		
Income Pds.			50.90	0.91%	Energy Jul 12	67.41		
Income Pds.			50.90	0.91%	Energy Aug 12	68.15		
Income Pds.			50.90	0.91%	Energy Sep 12	68.89		
Income Pds.			50.90	0.91%	Energy Oct 12	69.63		
Income Pds.			50.90	0.91%	Energy Nov 12	70.37		
Income Pds.			50.90	0.91%	Energy Dec 12	71.11		
Income Pds.			50.90	0.91%	Energy Jan 13	71.85		
Income Pds.			50.90	0.91%	Energy Feb 13	72.59		
Income Pds.			50.90	0.91%	Energy Mar 13	73.33		
Income Pds.			50.90	0.91%	Energy Apr 13	74.07		
Income Pds.			50.90	0.91%	Energy May 13	74.81		
Income Pds.			50.90	0.91%	Energy Jun 13	75.55		
Income Pds.			50.90	0.91%	Energy Jul 13	76.29		
Income Pds.			50.90	0.91%	Energy Aug 13	77.03		
Income Pds.			50.90	0.91%	Energy Sep 13	77.77		
Income Pds.			50.90	0.91%	Energy Oct 13	78.51		
Income Pds.			50.90	0.91%	Energy Nov 13	79.25		
Income Pds.			50.90	0.91%	Energy Dec 13	79.99		
Income Pds.			50.90	0.91%	Energy Jan 14	80.73		
Income Pds.			50.90	0.91%	Energy Feb 14	81.47		
Income Pds.			50.90	0.91%	Energy Mar 14	82.21		
Income Pds.			50.90	0.91%	Energy Apr 14	82.95		
Income Pds.			50.90	0.91%	Energy May 14	83.69		
Income Pds.			50.90	0.91%	Energy Jun 14	84.43		
Income Pds.			50.90	0.91%	Energy Jul 14	85.17		
Income Pds.			50.90	0.91%	Energy Aug 14	85.91		
Income Pds.			50.90	0.91%	Energy Sep 14	86.65		
Income Pds.			50.90	0.91%	Energy Oct 14	87.39		
Income Pds.			50.90	0.91%	Energy Nov 14	88.13		
Income Pds.			50.90	0.91%	Energy Dec 14	88.87		
Income Pds.			50.90	0.91%	Energy Jan 15	89.61		
Income Pds.			50.90	0.91%	Energy Feb 15	90.35		
Income Pds.			50.90	0.91%	Energy Mar 15	91.09		
Income Pds.			50.90	0.91%	Energy Apr 15	91.83		
Income Pds.			50.90	0.91%	Energy May 15	92.57		
Income Pds.			50.90	0.91%	Energy Jun 15	93.31		
Income Pds.			50.90	0.91%	Energy Jul 15	94.05		
Income Pds.			50.90	0.91%	Energy Aug 15	94.79		
Income Pds.			50.90	0.91%	Energy Sep 15	95.53		
Income Pds.			50.90	0.91%	Energy Oct 15	96.27		
Income Pds.			50.90	0.91%	Energy Nov 15	97.01		
Income Pds.			50.90	0.91%	Energy Dec 15	97.75		
Income Pds.			50.90	0.91%	Energy Jan 16	98.49		
Income Pds.			50.90	0.91%	Energy Feb 16	99.23		
Income Pds.			50.90	0.91%	Energy Mar 16	99.97		
Income Pds.			50.90	0.91%	Energy Apr 16	100.71		
Income Pds.			50.90	0.91%	Energy May 16	101.45		
Income Pds.			50.90	0.91%	Energy Jun 16	102.19		
Income Pds.			50.90	0.91%	Energy Jul 16	102.93		
Income Pds.			50.90	0.91%	Energy Aug 16	103.67		
Income Pds.			50.90	0.91%	Energy Sep 16	104.41		
Income Pds.			50.90	0.91%	Energy Oct 16	105.15		
Income Pds.			50.90	0.91%	Energy Nov 16	105.89		
Income Pds.			50.90	0.91%	Energy Dec 16	106.63		
Income Pds.			50.90	0.91%	Energy Jan 17	107.37		
Income Pds.			50.90	0.91%	Energy Feb 17	108.11		
Income Pds.			50.90	0.91%	Energy Mar 17	108.85		
Income Pds.			50.90	0.91%	Energy Apr 17	109.59		
Income Pds.			50.90	0.91%	Energy May 17	110.33		
Income Pds.			50.90	0.91%	Energy Jun 17	111.07		
Income Pds.			50.90	0.91%	Energy Jul 17	111.81		
Income Pds.			50.90	0.91%	Energy Aug 17	112.55		
Income Pds.			50.90	0.91%	Energy Sep 17	113.29		
Income Pds.			50.90	0.91%	Energy Oct 17	114.03		
Income Pds.			50.90	0.91%	Energy Nov 17	114.77		
Income Pds.			50.90	0.91%	Energy Dec 17	115.51		
Income Pds.			50.90	0.91%	Energy Jan 18	116.25		
Income Pds.			50.90	0.91%	Energy Feb 18	116.99		
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## WEEKEND FT

Saturday October 12 1985

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Oxford's colleges have their problems but money is not one of them. Indeed, the wealth of knowledge is almost embarrassing.

Nicholas Faith reports

**T**OMORROW, the first academic year starts at Oxford University since the dons, assembled in Congregation, voted against an honorary doctorate for Mrs Thatcher. The vote was a milestone for a university associated traditionally with the status quo. At the time, the Prime Minister's supporters treated it as a Marxist plot; in reality, it was more significant — a protest by the university's strong scientific community against the cuts imposed on their colleagues elsewhere.

But none of Mrs Thatcher's critics pursued the argument further. They did not ask whether they, as Fellows of often wealthy colleges, could persuade these autonomous bodies to do more for academic finances in Oxford or elsewhere; let alone query the relationships between the university itself and the individual colleges. So outsiders might well feel that their attitude was more than a little hypocritical; for in the past 20 years since Lord Franks produced his massive report on Oxford, the colleges have flourished as never before. Their total capital fund probably amounts to more than £500m. If this money were invested in gilts, for instance, the return would be enough to give the university its independence from the £42m it gets from the Government in basic support.

Oxford's wealth is fantastic; but then, so is the recent history of the college system. The first few were founded in the middle ages on the medieval notion of a small "fellowship" of impoverished clerics living a monastic life together and studying a narrow range of subjects. Elsewhere in Europe, most of them were abolished in the 18th century, but at Oxford, more even than Cambridge, they have retained their dominance.

Franks called Oxford a "federal" system, but this is misleading because it implies the colleges owe some kind of allegiance to the university. Legally, they don't. Yet astonishingly, the clumsy and antiquated system by which the university is merely one institution among many, a single voice faced by 30 or more independent colleges, has managed to adapt to the arrival of large numbers of scientists, the admission of women to formerly all-male colleges, the ravages of inflation, the massive growth in numbers of graduates, and an even faster growth in research students.

Oxford is still the country's second biggest university, after London. Of course, Oxford's relative position has slipped over the decades. In the 1920s it had 4,000 students and 350 academics, accounting for nearly 10 per cent of the British university population; by 1983-1984 the university housed 12,849 students (9,319 of them undergraduates), just under 5 per cent of the national total.

Oxford is, however, a skewed university. More than half its students are

studying the arts or, more surprisingly, the physical sciences. It has 7 per cent of all the arts undergraduates in Britain and 5.6 per cent of all the undergraduates studying the physical sciences, half as many again as at Cambridge (although Cambridge has a far larger engineering school than Oxford). At the postgraduate level, the figures are even more startling: 983 graduates are researching their doctorates in the arts at Oxford, more than 20 per cent of the total for Britain.

These figures provide the (correct) impression of a deeply divided institution. On the one side are the traditional arts dons, their way of life based up profoundly in the colleges. Their faculties historically are weak but attract the best students at both undergraduate and graduate level, not because the courses they offer are more stimulating or more logically structured but by the sheer marketability of an Oxford degree in an increasingly competitive world. On the other side are the scientists and medicals, their reputations bound up with their faculties but attached more loosely to their colleges.

This split is not new. Franks noted: "The scientists brought into Oxford a departmental organisation which, though not quite like that found elsewhere, provided nevertheless a centre for loyalty and a system of administration to rival that dominance of the colleges which had lasted from the 16th century."

The growing numbers of students must, to an increasing degree, be housed by the colleges themselves. The colleges have coped through a massive programme of buying or building so that most students now get two years in college accommodation at a less-than-economic price. Yet, in 1964, the 31 colleges seemed totally unable to face the burdens involved. They had a total income from endowments of only £27m. Seven rich colleges accounted for well over half the figure, and the bottom 13 a mere 10 per cent of it. Twenty years on, the position has been revolutionised.

Total income — on the basis employed by Franks — has been multiplied more than six times to nearly £17m, over four times the university's own income. The richest colleges have more than kept pace with inflation, but the poorest 13 have seen their incomes rise more than 11 times, to over £3.1m. In some of the more dynamic — like Hertford and St Hugh's — incomes have risen nearly 20-fold.

Despite the pressure for more accommodation, student fees supplied an increasing source of financial surplus. The size of fees used to be left to individual colleges (some of which were shockingly greedy), though since the Franks report they have largely been standardised. But the general level was inflated as a result of a long argument in which the civil servants from the Department of Education and Science proved no match for the joint team of bursars fielded by the Oxbridge colleges. Students say the bursars unanimously are profitable (as they should be at more than £2,000 a head for a 24 week academic year), and the bourses of graduate students herded into their Middle Common Room even more so.

Even today, however, there is an enormous gap between, say, Merton, with taxable income of over £1m to divide between just over 300 students, and a college of similar size, St Peter's Hall,

with a mere £171,000 to spend — although, as one bursar put it, "looked at from Salford, even the dons at St Peter's are doing jolly well." But even the comprehensive figures provided by the colleges as one result of the Franks report tell only part of the story. For one thing, the colleges' financial burdens vary greatly, and not only because of their size. Christ Church has a cathedral to look after as well as (like New College and Magdalen) a large choir to pay. But, in general, their biggest burden is the substantial sums paid to the Fellows in addition to their salaries as university lecturers.

There are no Senior Lecturers and few Readers at Oxford, but the university takes care of its own. There is an agreed sliding scale so that all dons automatically reach a joint maximum stipend, roughly equivalent to a Reader's salary of over £30,000, generally in their early 40s. Whatever their subject or college, dons are better off than their counterparts in any other British university. Although they do more teaching, there are more of them: Oxford's 2,050 full-time academic staff give a student-teacher

ratio of 6.3 to one, against a national average of 7.2; and not only is their pay better but they also enjoy a wide range of fringe benefits.

That puritan Roundhead, Lord Franks, wanted to slash these too, but his proposals conveniently were forgotten in what remains a Cavalier university. Guests at college dinners believe dons eat and drink lavishly all the time; they don't, and they pay something for their keep. Nevertheless, the social apartheid that separates them from the students includes different and superior food and drink — "common table" and "hospitality" cost the colleges £1.4m in 1983-1984 (although unemployment has ensured that colleges remain staffed adequately: "Monetarism saved the college system," says one bursar).

Apart from their index-linked pensions, the biggest benefits for dons are in housing, with an allowance of between £1,000 and £2,000 a year; books, perhaps another £500 annually; a room that costs the college about £1,200 a year; and the opportunity to earn sums varying from a few hundred to a couple of thousand a year by doing odd jobs in college rang-

ing from archivist to treasurer of the student clubs.

The bachelor dons who live in college as their founders intended are even better off. They are a shrinking minority, but — and this is one of the weaknesses of the college system — they are typical of an older breed who tend to exercise an undue influence. Often, they are the less distinguished older dons, generally in arts subjects, bored with research, teaching the same courses for several decades, and living in a womb-like security that resembles (albeit more luxuriously) one of the half-way houses designed to help those leaving a closed environment like a prison or a mental hospital.

At its best, meticulous concern for every aspect of the college's fabric and activities reflects a high-minded involvement in the affairs of the "fellowship." But membership of many of the innumerable college committees (which can occupy up to three afternoons a week during term time) too often is a reflection of the inevitable results of the division into colleges: a massive waste of financial and — presumably valuable — human resources.

This waste-by-fragmentation is compounded by the lack of pressure on the richer colleges to deploy their financial resources for immediate gain. This emerges clearly from the accounts. In the top ten colleges all relied heavily on income from land and property, which often dated back to their mediaeval founders. These have proved excellent investments; and colleges which switched out of land into equities during the 1960s (like Magdalen) have tended to under-perform financially. "Land is bursar-proof," says one cynic; but property yields very little and costs a great deal to administer.

The colleges as a whole pay no less than £1.8m to outside agents and managers, not counting the £4.6m paid to internal administrative staff. A college like St John's, for example, with an enormous amount of residential property, pays £943,000 of its £1.4m gross income from property in repairs, fees and other charges.

College accounts, unlike these provided by the university, do not provide a detailed figure for capital values. The colleges' property could well yield an average of 3 per cent; so the £11.5m gross income probably represents a capital value of well over £300m even at today's reduced prices for agricultural land. Similarly, assuming an average yield of 5 per cent, the £9.3m in dividend income probably represents a capital value of £200m.

However, the argument against the college system as it now operates, is not primarily the waste and duplication. Oxford is an academic institution; and any proposal designed to weaken the system by forcing the colleges to contribute more to the general running of the university must be based on an academic *raison d'être*. Those faculties with the best reputations (notably medicine) tend to be those with the weakest links to the colleges — the pre-clinical medical department attracts 17 per cent of all the research grants in the country and Oxford chemistry is among the biggest and best in Britain.

There also is a rumbling dissatisfaction with the way the university is run, a revolt against the traditional norm which also was represented in the anti-Thatcher

majority. There is a feeling that, as an administrator put it, "the whole is very much less than the sum of its parts." For instance, colleges spend £1.3m on their libraries, often buying books at the whim of the fellow who happens to be librarian, while the poor Bodleian Library has a mere £346,000 to spend on books and faculty libraries in arts subjects either do not exist or are recent creations.

Further, there is a good deal of evidence that whenever the university has been strengthened *vis-à-vis* the colleges, only good has resulted. As a result of Franks, colleges were forced to fund fellowships for all university lecturers, and the colleges no longer have any real freedom when appointing to "their" lectureships.

Even more recently, the colleges have lost more freedom: every post as it becomes vacant is placed on a Register of Suspended Posts and is filled only when a university committee decides it is needed. While most positions are filled as a matter of course, some like the chair of ecclesiastical history have been vacant for some years. For the first time, the university can exercise some control over the balance of subjects being taught.

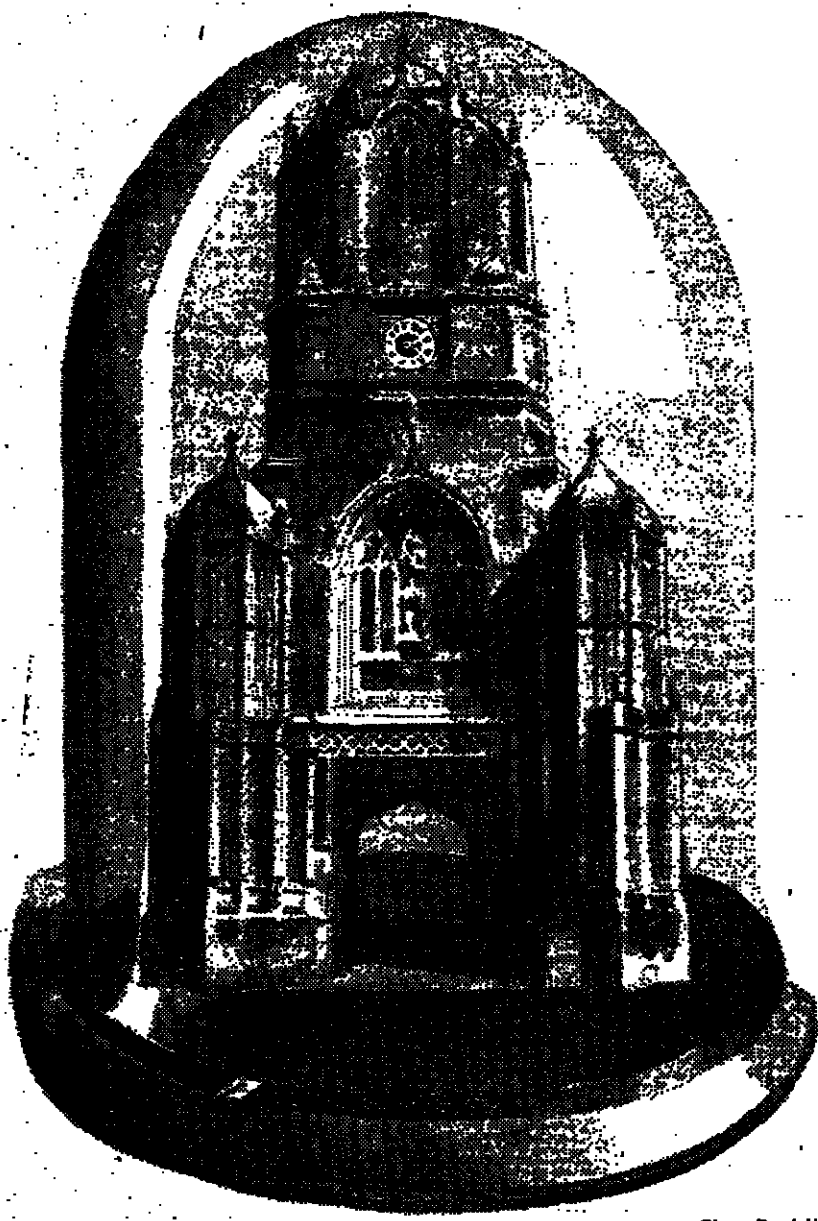
Of course, the college system provides an intimacy and intensity of teaching not available in any other system. This is the glory of Oxford. But the benefits need not be incompatible with a greater integration of college and university. For purposes of argument, if the government were to exert pressure — perhaps through the £42m basic grant — the colleges evidently would be forced to rally round the university. This would cause a re-think — a separation of the real advantages of the college structure from the trappings of college life; and, what is perfectly feasible, a concerted attempt to make the college's assets yield more immediate income.

It might even produce a change in the colleges' social structure. Already the new ones catering for graduate students are developing habits alien to their more orthodox brethren. Wolfson, in particular, is hailed universally as a New Model College, where even the non-academic staff share the same food and facilities as the dons and graduate students. Such a change would, after all, merely be a new fundamentalism — a return to the purity of the Middle Ages before the Fellows in the 16th century, started awarding themselves "dividenda" out of the endowments.

In those days, the Fellows felt themselves accountable to God. Now — apart from usually token gestures to support chapel services — they no longer feel obliged to justify themselves, or their colleges' wealth, to anyone — "a corrupt and self-perpetuating oligarchy" was how a certain Professor Darlington described them in his evidence to Franks.

He was being unfair: when pressure has been placed on them they do respond; the richer colleges pay their taxes and All Souls, that bastion of old Oxford, did change its ways as a result of the mauling it received from Franks. Most college Fellows are simply unaware of the wealth for which they are responsible and are, thus, unconscious of the contrast between the public academic squalor they so loudly deplore and their own private collegiate affluence.

Many of them — including (and especially) those most vocal in their opposition to Mrs Thatcher — might welcome an opportunity to mobilise their colleges' resources more efficiently in order to support the academic cause if the public money now used to pay their students' fees or their university salaries were diverted to poorer institutions. The Prime Minister, still denied her degree, would be the first to see this as a very special sort of privatisation.



Glyn Boyd Harte

## The Long View

## Mr Baker aims to change the world

WHEN Mr James Baker, who used to run the Reagan White House, and Mr Donald Regan, who used to run the U.S. Treasury, swapped jobs at the beginning of the second Reagan term, there was very little excitement, even in the U.S. A few knowledgeable locals pointed out that Mr Baker was rather good at getting on with Congress, while Mr Regan tended to put people's backs up, and rightly forecast that the President might be in for a sticky time; but most comment outside the U.S. was either on Tweedledum and Tweedledee lines, or a blank James Who?

Mr Baker could probably still stroll into a meeting of European bankers or politicians largely unrecognised, for he is like a thousand other successful, sober-suited lawyers, except that he is rather better looking. They will by now have a very clear idea of who he is, though.

If this is news to you, you should perhaps read the foreign pages more closely: it is going to be an increasingly rewarding habit as long as Mr Baker is around. It is just nine months since he moved to a post which is usually a kind of policy graveyard; even Americans would have a hard job reading the names of the last four Treasury Secretaries, while over here it is quite an effort to remember Mr Regan's predecessor, to complete a set of three (It was Mr William Miller, and even if the name rings a bell, can you remember any of his policies? Benign neglect — that was the man).

In those nine months, Mr Baker has made some striking moves both domestically and internationally. He has proposed the most radical reform of taxation tried anywhere, and may well get quite a bit of it enacted, and he might yet prod Congress into measures which

Although his arrival was unheralded, Treasury Secretary James Baker has devised a range of radical initiatives which signal a change in economic philosophy, says Anthony Harris



really could cut down the U.S. deficit quite sharply. In the international arena he has taken the first large step back towards managed exchange rates, and is trying to win the banks over to the idea that the best way to help international debtors is to lend them some more.

Although all he has definitely

achieved so far is a sharp fall in the dollar and a sharp rise in the Japanese yen (and the move in the yen, after years of inscrutable Japanese stonewalling, really does show some muscle), it is a formidable agenda. All the things Mr Baker wants to do will have a large effect on other countries. Take the tax reform, for a

start. The basic thrust of the reform is to simplify the system and cut rates by eliminating the loopholes which infect the 2,000 page American tax code. There would be much less shelter for borrowers, and less tax on investment income, so interest rates would tend to fall.

This would help dollar debtors outside the U.S., and indeed Mr Baker's Treasury — all the borrowers who have no U.S. tax to evade. If the U.S. was less attractive for flight capital, the U.S. would become more competitive and the danger of protectionism would recede.

An attack on the federal deficit, if it were successful — or even if it is simply expected to be successful — will also help to bring down interest rates and correct the over-valuation of the U.S. dollar; but it could also be a threat to the world economy. If we have a massive U.S. fiscal deficit, with no offsetting action anywhere else, the world slowdown could turn into a deep world recession.

Even the IMF, usually the arch-enemy of all government borrowing, recognises this, and is leaning on the Germans and the Japanese especially to loosen up a bit. Some of them seem to be getting the message; Dr Karl-Otto Poehl, of the Bundesbank, has recently spoken kindly of reflation; but they may wish to wait and see if Mr Baker and Congress can actually deliver a tighter Budget before they move.

In Britain, where Mr Nigel Lawson seems to be basing his policies on an unfashionably bullish view of the world economy, to judge by the speech he sent to Seoul, nails may be worn closely-bitten in the Treasury over the next few months.

However, it is Mr Baker's international initiatives which

will have both the most immediate and the most fundamental effect on the climate for investors. On the face of it, a bit of intervention to push the dollar down, and a bit of twisting to help the debtor countries may seem like quite modest, one-off applications of common-sense.

However, once you start intervening in free markets, you face a dilemma: unless you go on intervening, the effect wears off very quickly. The effects in this case — heading off U.S. protectionism, and allowing Latin America room to breathe — are rightly seen by the U.S. Administration as vital interests for the whole world. The U.S. is unlikely to shrink from some more interference with free financial markets when that becomes necessary.

Mr Baker, in short, has taken the first steps on a road that leads towards the world of the 1960s, in which exchange rates and international capital flows were the objects of government policy, rather than being left simply to market forces. He will be urged in that direction, not only by the logic of events, but by the growing Congressional pressure for radical monetary reform.

The implications of such a change for investment are much too far-reaching to spell out here. We are already getting used to some of them — watching the exchange rate rather than the money supply as guide to interest rates, for example. Others, like the revived importance of the trade figures, are already being sized in the City.

We may also have to unlearn much of the conventional wisdom of recent years — a subject worth exploring another time. Meanwhile, I will close with the message in the headline: Watch Mr Baker. He matters.

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## MARKETS

# Top-up clause breaks new ground in takeovers

THE EQUITY market was a bit like the Conservative Party's Blackpool conference this week — it started off limply but perked up as the days progressed. Share prices gently eased throughout the first three days, any thoughts of an early cut in interest rates being finally dispelled by Tuesday's money supply figures. However on Thursday and Friday the market made up for all the slack and the 30-Share Index closed last night in high ground.

As long as sterling stays around its current level and there are no nasty surprises from the corporate sector the market looks reasonably firmly placed for the moment with bid activity providing plenty of spice.

That most aggressive of acquisition-minded house-builders, C. H. Beazer, has introduced a new tactic in the UK takeover scene. On Wednesday it popped up with a tender offer for 25 per cent of SGB, one of the country's leading scaffolding groups, in a move to lift its stake to 29.9 per cent — an ideal springboard to launch a full takeover.

Because it wants to issue shares — 16 of its own for every 100 SGB — Beazer has had to make a direct offer to SGB's shareholders rather than raid the market directly.

While this is all rather unusual in London, the unique bit is the introduction of an escalation clause. Although Beazer has said it will not bid for at least three months, if it does choose to enter the fray within the next year shareholders who accept the tender offer now will have their payments topped up to match the eventual bid price.

And that Beazer will eventually shoot for the whole of SGB is a racing certainty. The West Country construction group began its quick-fire growth by acquisition four years ago and it hardly paused for breath until this year. In the 12 months to January no less than five bid were made and yet all has been quiet in 1985 apart from a £20m rights issue.

So Brian Beazer is probably keen to get going again, which makes one wonder why he is not going for SGB now as raising the ante would evidently present no problem. By waiting three months the defence can only get stronger.

SGB has been a dull performer in the past but the City is fairly sure that problems in the U.S. and Australia have been contained and even before the bid at least one broker had increased his forecast for the year just ended to nearly £134m pre-tax and had put in around £164m for 1985-86, suggesting 25p of earnings and a single-figure p/e.

On that basis the shares look inexpensive, with or without a bid. Investors may rightly be tempted to stay with SGB although the chance of a quick profit—the shares were only 160p before the Beazer move—could prove irresistible. But those who want out should take the tender opportunity and hope for a top-up from a bid next year.

One takeover which looks far more straightforward—and has the attraction of actually being under way—is the £39.5m equity and cash bid by Clayform, a young USM property and retailing group, for Owen

are two-fold. Some of the 21 stores could be retained to extend its retailing activities—it has recently bought three stores in Yorkshire and claims to be doing well—while the rest offer plenty of potential for redevelopment. In fact much of the battle will probably turn on asset values as the profits record is not going to help Clayform at all for long.

The defenders may have a solid fortress to retreat to, however. Two-fifths of the equity is in the hands of three families, if they stand united the bidder could be seen off without the help of a white knight.

Sears has yet again managed to disappoint its shareholders. Interim figures this week showed pre-tax profits up by just 10 per cent to £88.3m including an initial contribution from Foster Brothers, worth £2.5m before finance costs.

The problem area for the second summer running turned out to be shoes. A year ago Sears was complaining that the fashion for plastic moulded shoes—jellies—had sinned margins leaving footwear profits £2.4m lower at £30.3m. This time around the division's trading profit has slumped to £23.8m.

To an extent the 9 per cent setback in UK trading profits at British Shoe Corporation can be blamed on bad luck—it cannot be responsible for the weather and it is hard going selling sandals when it is raining. Excuses in the U.S. may be a little thinner. Profits fell from \$61m to nothing. Butler is undoubtedly operating in a cut-throat market but Ward White fared better.

Anyway, it might be wrong to read too much into the first half from footwear which is notoriously seasonal and, after all, its poor showing disguised some incredible figures elsewhere. Department and multiple fashion stores doubled their interim profits (including Foster) and if the footwear interests are stripped free, the underlying growth rate was close to 50 per cent.

Assuming British Shoe comes right in the second half the City's earlier forecasts of £200m pre-tax for the year might not be far wrong. But whether it turns out to be £200m or the now popular figure of £190m, is academic in terms of rating the shares.

The prospective earnings multiple is a couple of points below the sector average, which is fair after the earlier false dawns. Yet the shares could seem look attractive if British Shoe can return to a "normal" year in 1986. The cynic will, however, suggest that by then something else will have gone wrong.

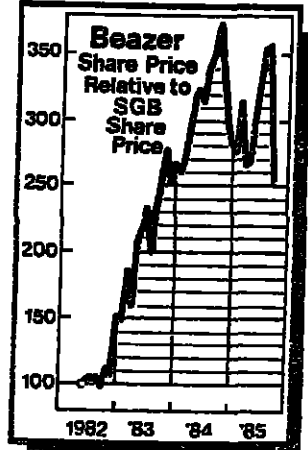
Terry Garrett

## London

Owen, Liverpool-based department store chain.

In August, when Clayform took an 11.6 per cent stake for £3.3m, the market was reasonably convinced that it would only be a matter of time before Owen's management would have to man the barricades. Since then the two sides have been talking behind the scenes though the lack of agreement is obvious in Clayform's unwanted offer.

The defenders have quite a task on their hands. The profits record is indifferent and the early 'eighties were pulled down into the red by heavy losses on department stores in Ontario. The group finally extricated itself three years



ago, although the management will probably argue over the coming weeks that shareholders have yet to see the group's real potential. Last month interim losses of £147,000 were reported against £788,000 and the directors forecast a "marked improvement" over the previous year's £1.8m profit. In its heyday of the late 'seventies profits were over £3m.

The attractions for Clayform

## HIGHLIGHTS OF THE WEEK

	Price	Change	1885	1885
	1 day	on week	High	Low
FT Ordinary Index	1,037.5	+11.0	1,037.5	911.0
Abbeys	103	+13	103	50
Bond Corporation	129	+18	123	61
British Aerospace	480	+25	483	295
Burmah Oil	316	+12	318	300
French Kier	213	+24	213	177
Guinness	306	+13	306	225
Higgs and Hill	432	+27	432	280
Home Counties News	105	-28	171	108
Mercantile House	243	-30	367	215
Metal Box	515	+30	515	375
Noble and Lund	55	+24	56	10
Northern Electronics	215	-50	305	200
Oil Search	42	-14	46	10
Owen Owen	455	+40	470	178
RMC	444	+18	444	344
Rustenburg Platinum	540	+50	805	470
SGB	220	+58	224	134
Sparrow (G. W.)	70	+51	72	30
Westland	53	+18	151	58

## Tips, hints and a touch of audacity

WHILE cocksure Clayform Properties, which joined the USM only six months ago, launched an audacious bid this week for the larger and fully listed Owen Owen department stores group, behaviour elsewhere on the USM was more in keeping with that of a very junior market insider.

The great and irrational swings in share prices that were commonplace in the market's early days have not been stamped out altogether. Indeed, the best performer over the past fortnight, Real Time Control, has seen its share price rise by 75 per cent based on nothing more than a tip sheet recommendation.

Such surges are good neither for ordinary investors nor the company, and give the market a thoroughly bad name. Mercifully, however, they are becoming rarer.

As one jobber in Real Time Control commented: "We don't normally bother about the tip sheets, but this one really seems to have got them going. I just don't understand it."

Raising no such problems of comprehension were the strong markets this week in the shares of Cannon Street Investments and Leisure Investments. Both companies came quickly to the USM early this summer by way of an introduction. Both have been trying to shake off colourful past histories, each containing the loss of a full stock market quote and an uncomfortable close brush with the receiver. Now, both have underlined their new respectability by turning in a powerful increase in profits, and each is

dropping heavy hints about plans that could eventually have a dramatic effect on its future.

Leisure Investments, formerly Doloswella Holdings, last year made its first decent profit in about a decade. The company, which in the 1960s ran rubber and tea estates in Singapore, has since then been in and out of provincial casinos. More recently, and under new management, it has moved into amusement arcades, first in the Midlands and then the south. Now, the company owns six

## USM

### UNLISTED SECURITIES MARKET

arcades (which it prefers to call "leisure centres") and eight plushy snooker clubs.

On Monday, Leisure Investments announced profits for the year of about £400,000, a six-fold increase over the previous year's figure. The company's shares, which joined the USM at about 25p, are now 50 per cent higher at about 37p. However, if chairman Stephen Forsyth can execute his plans, within two years snooker clubs and leisure centres will be an insignificant part of the group.

"We model ourselves on Pleasurama," says Forsyth, modestly. He has a whole series of schemes up his sleeve to transform the company into a more broadly based leisure group. One of these is a leisure mail concept, which, Forsyth claims, will "open up a whole new era in leisure". The concept is based on the out-of-town shopping mall, but instead of being filled with stores it will be crammed with discos, cinemas, betting shops and pubs. Forsyth has his eye on some sites on the outskirts of London, has commissioned a

design for the building, and is to approach local authorities soon for planning permission.

A dream somewhat closer to realisation is the development of a leisure complex out of the disastrous dolphinarium at Oxford Circus. The scheme is being held up by a dispute with Pleasurama, responsible for the dolphin disaster, as to who should bear the cost (which could be nearly £1m) of filling in the dolphin pool.

However, Forsyth is confident not only that Pleasurama will pay the bill, but that, within a year, the centre will be bustling with all manner of diversions including 24-hour breakfast bars, a snooker club and a disco.

Meanwhile, Cannon Street Investments, a casualty of the secondary bank crisis, has spent the past 11 years working to repay the huge debts that resulted from the collapse of its banking subsidiary.

The company now runs three other subsidiaries, by far the largest of which is a Dutch distributor of laboratory equipment. The other two, one of which makes flowerpots and the other Christmas hampers, both are profitable (although, as usual, hampers did not contribute to first half profits, which were up 50 per cent to £300,000).

Cannon Street's chairman, Bill Hisslop, hints that he is on the point of announcing acquisitions that are "far advanced" and will totally transform the group. He has in mind a series of small companies to take out of the existing subsidiaries, as well as larger ones—making annual profits of over £500,000—that would take Cannon Street into new areas.

Hisslop is not frightened of taking on more borrowings, but says larger acquisitions will be paid for mainly with paper.

Lucy Kellaway

## COMPANY NEWS SUMMARY

### TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share	Market price	Price before bid	Value of bid	Notes
Abbeys	8815	103	80	17.11	French Kier
Arlington Motor	234	225	16711	10.50	Unigate
Baltic	2871	273	260	33.95	A/S Navi
Capital TV	601	51	6011	6.00	Crown Int'l Foods
Cass Group	135	135	130	7.40	Telephone Rentals
Dunlop	561	54	47	9.28	Rail Group
Fleet Higgs	3323	361	345	224.16	Utd Newspapers
Friedland Orgart	320	315	213	18.64	HK Electric
Insight Group	1558	156	138	11.57	Hawley Group
Maynards	4001	380	355	10.58	Ward White
Noble & Lund	30	55	20	1.71	Clayform Prop.
Owen Owen	455	455	415	35.55	Clayform Prop.
Phillips Patents	137.55	144	100	2.57	Brenner
Sparrow (G. W.)	664	70	48	6.57	B.E.T.
Somportax	281	120	27	0.79	Messrs N. Wray & C. Matlock
Spear & Jackson	220	218	168	12.37	Neill (James)
Stewart Plastics	134	128	113	30.46	Bund
Towngate Socs	324	35	37	1.67	Midland Dev

\* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. \*\* Listed on October 11, 1985. †† At suspension. ‡‡ Shares and cash. ††† Related to NAV to be determined. †††† Loan stock. ††††† Suspended.

### PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings per share (p)	Dividends per share (p)
Abingworth	June	495	3.85	2.4
Balloy, Sea	June	74L	(449)	(7.1)
Bristol Channel	March	1,430L	(801L)	(—)
Brit Sec Group	June	731	(332)	5.9
Close Bros	July	2,170	(1,360)	1.05
Dunelm	May	1,760	(1,360)	14.7
Ferry Pickering	June	1,810	(1,311)	8.9
Global Group	May	312	(311)	4.1
Grosvener Group	June	1,060	(1,065)	12.1
Halstead, J.	June	3,070	(2,150)	12.9
Leisure Hg	June	408	(329)	0.8
Leisure W	June	427	(900)	(—)
Leisure W & W	May	3,340	(2,940)	52.5
Leisure W & W	June	6,110	(4,240)	(—)
Photo Me Int'l	April	5,470	(4,521)	90.7
Procter & Gamble	June	12,200	(13,590)	(—)
Sander, Murray	June	142	(107)	5.7
Sinclair, W.	June	1,550	(774)	20.4
Thorpe, F. W.	June	1,110	(1,040)	20.4

### INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends per share (p)
Arcoelectric Ridges	June	148	(154)
Bilten, Percy	Sept	5,185	(5,010)
Bowthorpe Higgs	June	11,450	(9,370)
Brantons (M&L)	June	404	(375)
Calrd, A.	July	90	(185L)
Campari Int'l	May	1,300L	(25)
Caparo Prop	June	689	(235)
Caparo Ind	June	222	(1,300)
C&A Galleries	June	285	(213)
Christies Int'l	June	7,120	(7,400)
Comcap	June	1,530	(1,043)
Cory, Horace	June	46	(820)
Cullen's Higgs	Sept	855L	(—)
Decora	June	672	(612)
Eiswick-Roper	July	184L	(285L)
Elston & Gell	June	478	(443)
Falcon Res	June	292	(15)
Farmer, S. W.	June	110	(63)
Fortnum & Mason	Aug	1,400	(1,260)
Fothergill & Hrvy	June	7,350	(6,330)
French Kier	June	207	(283)
Hay, Norman	June	3,850	(3,230)
Higgs & Hill	June	3,100	(2,890)
Holt Lloyd	Sept	2,100	(2,811)
Home Count News	June	407	(320)
Hunter	June	4,830	(4,650)
Isstock John	June	314	(131)
Jerome, S.	June	1,820	(1,890)
Johnston Group	June	747	(544)
Kingsley & For	June	1,400	(433)
London & Co	June	4,880	(6,110L)
Lyle Shipping	June	3,980	(1,832)
Maitland, John	June	2,909	(2,980)
Molins	June	708	(847)
NHW Computers	June	1,570L	(2,510L)
Raybeck	July	3,150	(2,330)
Puburoid	June	68,300	(62,000)
Sears	June	341	(380)
Silcocke Lab	June	445	(271)
Slaters Frost	Sept	970L	(923)
Sparrow, G. W.	June	404	(1,260)
TDS Circuits	Aug	101	(56)
Thurmer Bardez	June	421L	(308)
Turiff Corp	June	—	(—)

(Figures in parentheses are for the corresponding period.) Dividends are shown net pence per share except where otherwise indicated. † Corresponding figures are for 10 months. L Loss.

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## Ulcers are good news for Glaxo

THE ANTI-ULCER drug Zantac has proved to be something of a goldmine for GLAXO. Launched in late 1981, it has now reached all major markets and is probably the world's second biggest selling drug. In its longer established markets it is overtaking the world's top seller, SmithKline's Tagamet.

Zantac's meteoric sales growth produced half-year profits for Glaxo which were well up on forecasts, and the City is expecting something equally impressive when the group reports on its year in June on Monday.

On the underlying trading performance, it is unlikely to be disappointed. Sales of Zantac are thought to have doubled in the U.S. and made strong advances elsewhere, so that the drug will probably have contributed nearly half of group profits last year. Meanwhile, the other products such as the

anti-asthmatics and Zinacef, Fortum and Transdote should have made good progress.

However, a note of caution is necessary over the effects of Glaxo benefited from a currency exchange rates. In the first half surplus of some £12m, but the strength of sterling between the end of December and the end of June means this will have been more than wiped out in the second half. By how much is the question, and uncertainty over the answer means forecasts range from £40m to £130m against £35m last time.

HAWKER SIDDELEY has given an indication that its interim profits will not be much better than last year's £55.7m. Adverse exchange rate movements could have wiped £2m off the contribution from overseas units, leading the City to expect some £55m for the six months to June.

For the last two years the group's profits have been unevenly distributed between the two halves in spite of the apparently strong growth in sales and margins. Last year the interim figures more than made up for this.

In terms of activities, road

and rail should be on the rise again after a tough 1984. New contracts in New Zealand and Singapore should see profitability rising. On the engines side standing still seems the order of the day as Hawker retrenches in the face of a contracting market.

Aerospace, mainly Australia and Canada, could be most hurt

## Results due next week

by currencies this time due to the 21 per cent drop in the rate of the £/\$ against the pound. However, underlying growth in the repair business in the two countries looks good.

In the UK, mining-related business will be picking up after the end of the strike but the rate of improvement will be slow given the pace of change at the NCB. In the U.S. new president has been put into F&S but margins could be hard to hold at the 10 per cent level.

HARRISONS & CROSSFIELD's chairman has already warned of

a slow start to the year, so no one will be expecting any miracles from the group when it reports on its six months to June on Tuesday.

The plantations will have put in an unexciting performance with prices generally weak compared with last year's levels. H & C's 50 per cent owned Harrison's Malaysian Plantations Berhad has already reported a £2m profit downturn for its first quarter and a further decline can be expected for the half-year.

A downturn is also expected from the timber operations because of poor demand from the UK housebuilding industry, and any upturn in the chemicals operations looks vulnerable to further problems with margins in the U.S. Meanwhile, the newly-acquired Pauls is unlikely to have done more than wash its face on financing costs at such an early stage.

Overall, then, the City would not be surprised by a fall to £26m from £39.2m last time.

First half profits from BRITISH HOME STORES due on Wednesday are expected to show a modest 10 per cent advance over last year's figure to £16.5m. Almost no volume growth from existing stores is

forecast, as sales were hit by poor weather and by slack consumer demand in the North.

The company's extensive refurbishment programme may also have disrupted sales during the first half, while the costs of revamping together with the financing of the new stores in Cardiff and Leicester have reduced the net interest position from last year's inflow of £1m.

Despite a continued trend towards higher labour productivity, gross margins are likely to have deteriorated as prices were cut in order to shift spring and summer stock.

However, the City does not seem unduly concerned at the prospect of a dull first half from

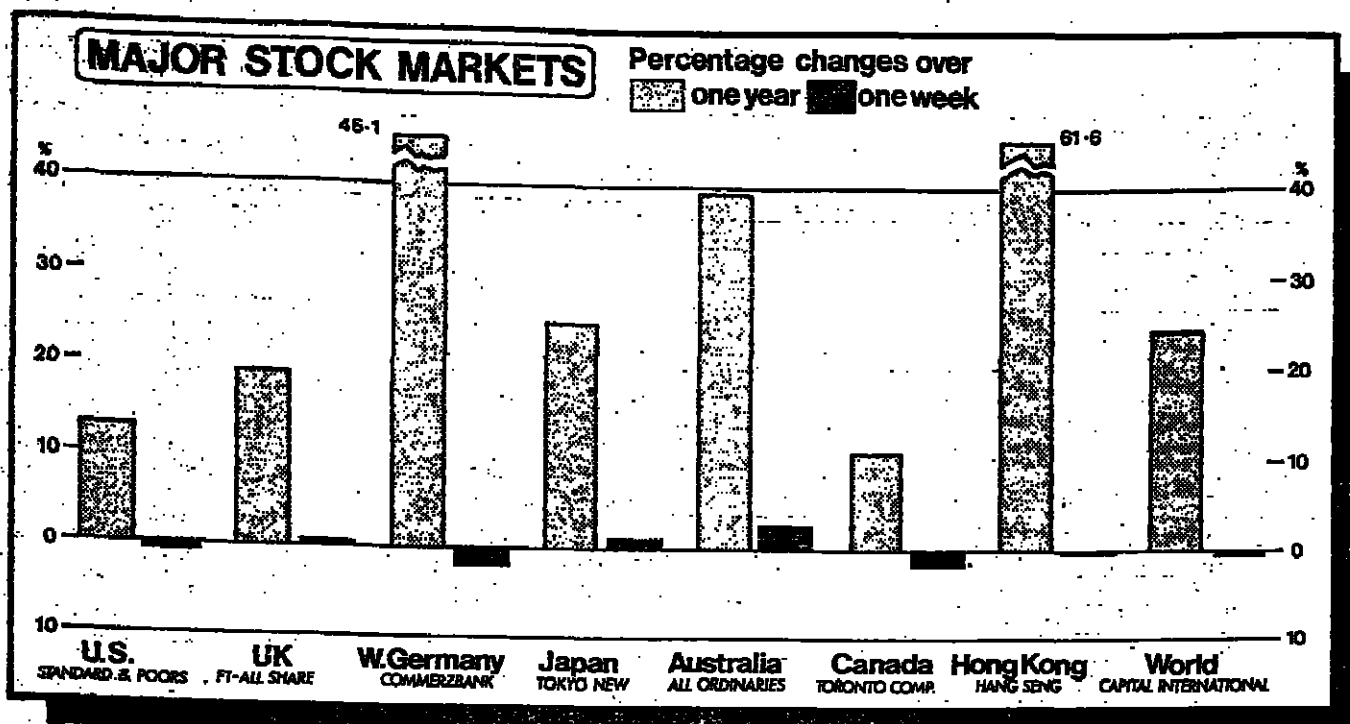
British Home Stores. Attention is fixed on a better second six months—when the first full collection of smart new clothes goes on sale in the refurbished shops, which is expected to have a noticeable effect on volume growth.

Among the sizeable companies reporting results next week are Senior Engineering Group and Rockware Group, with interims on Monday. Paterson Zochonis with its preliminary figures on Tuesday, and Sun Life Assurance Society and Spirax-Sarco, both with interims on Wednesday.

Lucy Kellaway

Terry Povey





## The little magic that never arrived

WHILE the world's finance ministers were meeting this week in Seoul—minus, of course, the weighty presence of Nigel Lawson, the UK Chancellor—the U.S. financial markets were marking time, waiting for some news that never came.

What they wanted to see was further proof that the industrialised nations would go a step further in the programme to force down the dollar in an orderly fashion. As the ministers did nothing, the U.S. currency drifted up, equities meandered sideways, and the bond market remained bogged down in pre-Treasury funding gloom.

There can be little doubt that the U.S. stock market now believes that a lower dollar is a necessary precondition for renewed growth in the U.S. and world economies, and for an increase in equity prices.

In a commentary on the issue this week, Mr Barton Biggs, of Morgan Stanley, outlined a programme which he claimed to have had explained to him by an official source, and which is supposed to end in an international "snake" agreement ending with the dollar at around DM 2.35 and ¥200.

If this occurred, he said, it would help correct the disruptive effects of floating currencies, open up prospects of a "new period" of economic growth, and turn parts of the U.S. stock market into a "great buy".

The problems posed by the dollar could not have been more clearly underlined than

in the flat third quarter results from General Electric this week. As the third largest U.S. manufacturing group, and the first big industrial concern to report in the quarterly round, GE's results pack a punch, and Mr Jack Welch, chairman, delivered some heavy upbeats—on the dollar question.

Despite the recent slip in the value of the U.S. currency, he said, the dollar still stood 50 per cent above its 1980 rate, and remained a distinct depressant on the performance of U.S. manufacturers.

Mr Welch went on to hit out at another target—the stalemate in Washington over tax policy, which, he said, was partly behind growing caution in corporate investment plans.

This complaint is becoming increasingly widespread among U.S. businessmen, some of whom argue that the proposed reduction in investment incentives is highly harmful, while others say the uncertainty over the plans is just as damaging.

Either way, critics agree that the lack of resolution over tax is slowing down investment and causing a further deterioration in the economy.

Given these economic negatives, it might seem surprising that the equity market has stood up so well in the last few weeks, with the Dow Jones Industrial Average only briefly falling below 1300, and now floating in the mid-1320s, around 35 points below the

speculative interest in equities. On Wednesday of last week, around 20 per cent of the volume of stocks traded in the DJIA index was calculated to have involved companies that were connected in some way with takeover rumours—this week the food stocks have been under assault.

Many analysts see this as a dangerously frothy sign of market behaviour, and it is certainly giving off some misleading signals.

### Wall Street

Not least of these is the strength of the DJIA itself. The equity market overall is not as strong as this blue chip index would suggest. The broader market averages, less influenced by the takeover fever, which is heavily concentrated on the heavily capitalised stocks in the Industrial Average, do not look anything like as strong.

Indeed, Mr Philip Roth of E. F. Hutton, said that at the end of last month the DJIA was only 2.5 per cent below its all-time high, while the New York Stock Exchange Composite and the S and P 500 were 8 per cent down from their July peaks. This drop in the broader indices, he said, was the equivalent of around 1250 points on the Industrial Average.

Equities are also being helped by the relative stability of interest rates recently.

Although rates are still high over a longer term perspective, with three-month Treasury Bills at around 7.15 per cent and the 30-year bond at 10.50 per cent, they are considerably lower than a year ago, and make equity yields look reasonably attractive; the current yield on the industrial average now stands at around 4.60 per cent, and on the S and P 500 at about 4.40 per cent.

Investors, however, remain extremely uncertain about what the next direction for interest rates will be. This week, the credit markets have been overcast by the long shadow of Treasury debt, as the Government proposes to issue up to \$50bn of new paper over the balance of the year.

Such a sum would be big enough at any time, but after a period of decline in the dollar, when foreigners are worried that their investment in the U.S. may suffer if the currency goes against them, the difficulty of raising this amount without higher rates could become very problematical.

This is why investors were looking for a little magic from Seoul—a world in which the dollar would come down, interest rates would remain stable, and the rest of the industrialised world would take up some of the responsibility for economic expansion.

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Terry Dodsworth

THE MOLE reappeared this week. There he was, sitting quietly on my desk, little boot-button eyes thoughtfully regarding me.

"Hello, Moley," I said. "I've been having a holiday up-river with some chums of mine."

"Where else?" I countered, as an old Thames hand.

"Slight," he agreed, adding: "Much going on while I've been away?"

"Oh, the usual. Minorero has produced another disappointing set of results, Rio Tinto-Zinc has reported a goodish first half and should do better in the rest of the year. Same applies to Consolidated Gold Fields except that in this case we're talking about full-year results."

"The Gold Fields group has also produced the first batch of South African gold mining September quarterly profits this week."

"Should have been good with the money from dollar sales being boosted by the exchange rate when converted into weak South African rands," observed the mole.

"Well, yes and no, Moley. 'Trouble was that although the mines received a record price in rands for their gold, working costs increased because of the wage rises given to the black mine workers."

"Tax bills also rose because of a seasonal falling-off in capital spending and so, what with one thing and another, net

profits were lower, if anything, than those for the previous three months."

"Still," replied the mole, the companies are making very nice earnings just the same.

"Why, Placer Development's big Kidston mine in Australia has just declared its first quarterly dividend (5 cents) only six months after reaching

production. Not bad going, that. Must make the base metal mining men green with envy as they struggle with low prices," he said.

"I remember RTZ's low-grade Palabora copper operation in South Africa declaring its maiden dividend only eight months after the start of production," I replied, absently.

"Back in 1986 it was and the interim dividend payment was 2s 6d on the 10s shares that had been offered to the public at 12s 6d in 1983. A final of 4s was subsequently paid for 1986."

"Before my time," said the mole, dismissively.

"So you think that the world's great copper mines can

## Copper fights on

now be written off?" I asked. "Well, they're hardly in the big money league these days—unlike some mining company chairmen I could mention," he added, mischievously.

"Yes, Moley," I said, "but RTZ's Phillip Crowson has been pointing out that much of the existing copper mining capacity is being eroded and its life shortened."

"The older mines are gradually being worked out—in fact, only the higher grade parts of some are being mined—cost-cutting is often being made at the expense of essential development work, and very few new mines are being started."

"At the same time, demand for copper is still growing—albeit at a long term rate of only about 1 per cent a year, according to Crowson—and low prices are helping to ward off competition from substitute materials such as fibre optics."

"Be that as it may, the trick is to buy good copper deposits cheaply and work them at low cost. RTZ is putting its money where its mouth is, such as in the recent purchase of a 49 per cent stake in Portugal's Neves Cerro copper deposit."

"Shouldn't go wrong there," said the no-longer-crestfallen mole, "what with ore reserves

of a cool 25m tonnes averaging a rich 8 per cent copper at only one of the several inter-linked ore bodies."

"So you see what I mean about there still being a future for copper mining?" I concluded.

"Inevitably, I suppose, Moley played the final trump card. 'Remember,' he said, 'a couple of months ago when Broken Hill Proprietary was negotiating to buy out the stake of its partner, Texaco, in the huge La Escondida copper property in Chile?'"

"Well," replied Moley, with a quick glance around, "you said that BHP did not want to take on all the venture, which could cost over £800m to bring to the mining stage, and was looking for a partner or partners."

"And I told you that RTZ would join the party."

"Yes," OK, then, the word going around Toad Hall—they know their onions down there—is that it's true. They reckon that any time now we shall hear that RTZ is joining BHP as a main partner in La Escondida, and that Mitsubishi is also coming in on a smaller piece of the action."

With that the mole grinned happily, hopped off the desk and scampered back to that hole of his behind my chair. What ever next?

Kenneth Marston

## Off the ropes

More than 50 sizeable new listings have resulted and the programme has raised well over C\$2bn in new equity funds for Quebec-based companies. Some large firms such as Bell Canada Enterprises found the inflow of new capital almost embarrassing.

### Montreal

ing when combined with its longstanding share-purchase plans. The tax benefits have been cut in half for 1986 because of the substantial revenues being lost to the provincial treasury from the basic QSSP tax shelter for individuals. But Andre

Saumier, who took over as president of the exchange this summer after a stint as provincial vice-president for Richardson Greenshields Incorporated, is convinced a permanent change has taken place and that Montreal now is in a better position to compete with Toronto.

Montreal has become very much a regional stock exchange, while extending its international tentacles in options and futures

trading. The ME has about 875 issues trading, far below the TSE and only half the Vancouver exchange, which specialises in low-value mining stocks. But besides the larger interlisted stocks, where the market is made in Toronto, the ME has developed a lively QSSP stock section. Stocks of companies which have gone public under the QSSP programme have performed better on average for the past two years than the mighty TSE-300, the national index.

The ME was the first exchange in North America to trade currency options. Its gold options listing with Amsterdam and including Vancouver and Sydney, was another first. So was trading in gold-backed certificates rather than contracts for future bullion delivery. The Chicago Board of Trade picked Montreal's market portfolio index as the basis for its Canadian stock index futures, set for introduction soon, because the ME seemed most innovative.

The ME has had to fight hard in currency options and has had trouble establishing its timber futures contract, but still plans

to go ahead with a pulp contract. Next month, it will start trading a gold futures contract that calls for delivery of cash rather than bullion, and increases traders' flexibility.

It plans soon to start an international section by introducing the stock of Le Groupe Lyonnaise des Eaux, the French-based multinational specialising in water treatment systems and chemicals. It hopes to attract ten more listings in 1986, mainly of European-based companies wanting to expand their equity base but not wanting to meet the stringent and costly standards of the SEC in Washington.

The ME and the QSC will accept the same regulatory material as these companies file in their home countries, and listing fees in Montreal are modest. The ME hopes to attract American institutional interest in such stocks and to bring investors' savings through "book-based" computerised registration rather than the costly American depositary receipts now widely used.

The stocks will be quoted in U.S. dollars; investors will trade them as if they were listed in North America and will have immediate access to all trading information.

Robert Gibbens

## 2 NEW FUNDS NOW THERE ARE TWO MORE REASONS FOR CHOOSING CAPITAL STRATEGY FUND



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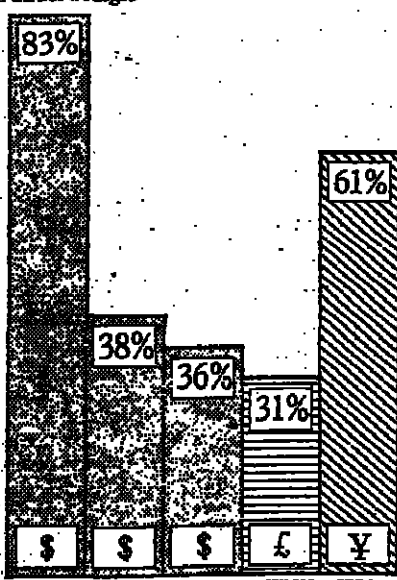
A total of 15 sub-funds including 2 new funds (European and European Currency Unit). 5 Currency funds (Sterling, US Dollar, Deutschmark, Yen, Swiss Francs). 5 Equity funds (North American, Japan, Pacific Basin, British, International Growth, and 3 Specialised funds (Sterling Gilt, International High Income, Yen Convertible Bond).

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FIRST the ecu traveller's cheque, then the ecu bond fund. Garmore has become the first British group to offer investors the option of investing in a fund denominated in European Currency Units, an intangible currency made up of a basket of other European currencies.

Garmore is adding the ecu option to its Capital Strategy Fund, a £100m (£70.9m) umbrella fund offering investors with a minimum of £25,000 a choice of equity, currency and bond funds. Units are sold at net asset value, without a front end charge, so switching between the sub-funds is free. It is also adding a European equity fund.

The fund also pays no commission to brokers and financial advisers, unless their clients expressly authorise it – if they do, it can be paid in the form of an initial charge, a conversion charge or an annual fee.

Garmore's Peter Scott says ecu bonds are now yielding around 8 per cent, much closer to sterling gilt yields and better than dollar bonds. For a UK investor, the ecu fund does carry some risk of a currency loss, as well as the prospect of a capital gain as the ecu appreciates against sterling. Because the ecu is a basket of currencies, the risk should be less than for a

single currency – and volatility should be reduced if the UK joins the European Monetary System.

single currency – and volatility should be reduced if the UK joins the European Monetary System.

INVESTORS in the Alliance and Leicester building societies have lost out now that the two have merged, according to Building Society Choice, the monthly publication which monitors interest rates.

The new society retains some of the good features of the Alliance's and the Leicester's accounts, such as the Alliance Banksave cheque account, now renamed Banksave Plus. But it has killed off the Leicester's Moneyclub for children, which offered some worthwhile discounts and freebies, and it has tightened some of the conditions attached to the instant access Gold account, the 90-day Premium Plus account and the MoneyBuilder regular savings account.

PARTIALLY sighted customers can now get large-print bank statements from National Westminster Bank. The bank already has around 1,400 customers using its in-house braille printing service, which has been running since 1976, and large-type facilities should help a great many more. NatWest cash machines are also soon to incorporate a double beep to help visually handicapped customers to know when to press the buttons.

FOREIGN & Colonial is following Warburg's Mercury unit trust group in launching a European income fund. It is intended to yield 5 per cent gross, by investing in equities and convertibles. The fund managers have allowed themselves to put up to 15 per cent of the portfolio in bonds or convertibles, but

include no bonds in their initial model portfolio. Units are priced at 50p, with a 1 per cent discount for investments over £2,500 made before October 31. The annual charge is 1 per cent.

MERCHANT Investors, the English arm of the largest Dutch insurance group, has launched a unit-linked investment bond, called Flexible Investment Portfolio. It offers a choice of 32 unit trusts to invest in through an insurance link, as well as 10 of Merchant Investors' own funds. But it is a once and for all choice – you cannot switch from the 32 funds to the 32 unit trust options, which include managed funds composed of Henderson and TSB unit trusts. Other fund managers involved in the link are Framlington, Garmore and Perpetual.

Framlington, meanwhile, is launching its own managed fund, a Guernsey company which will invest in a portfolio of Framlington's onshore unit trusts.

LANCASHIRE and Yorkshire Investment Management is offering shares in Hitech Lighting under the Business Expansion Scheme. Unlike the BES, Hitech has already started trading, although it has only a one-year record to date in the low-voltage lighting sector.

The company is seeking to raise up to £600,000 at an issue cost of between 75p and 80p.

With shares priced at 150p and profits in the nine months to March 31 of £61,000, the company is being sold at a price 35 times its current earnings. Profits are forecast to rise to £171,000 next year, reducing the multiple to 18 times.

ance bonds. It will offer you the choice of going into a managed growth fund, income fund, or a range of specialist Britannia unit trusts.

The new bond will not be on general offer until February next year, but investors can be reserved from November 1 through professional intermediaries.

As a new company, NEL Britannia is able to absorb the capital gains tax liability by offsetting it against its own tax allowances – most new companies choose not to trumpet this, but to let it show through in the bond's performance. If the bond is very successful, if the stockmarket climbs through the roof, or if the bond suffers a run of withdrawals, the policy of not allowing for capital gains might have to be reversed.

John Edwards

## Rethink for tax avoiders

If you have been thinking of putting some of your wealth into one of the widely marketed schemes to avoid capital transfer tax, think again.

Twenty months after a House of Lords judicial clampdown on tax avoidance schemes, the Inland Revenue has dropped the first hints on how it will be applying the ruling to a variety of contentious tax subjects. In particular, a letter the taxmen sent to the Institute of Chartered Accountants for England and Wales (ICAEW), published last week, makes it clear that the new judicial approach will be applied against capital transfer tax (CTT) avoidance.

There are two main types of off-the-peg CTT schemes. One, usually called "inheritance trusts", requires the donor to set up a trust for the benefit of his heirs and to transfer money to it partly in the form of a gift and partly as an interest-free loan. The trust assets are then usually invested in a single premium insurance bond. One variation is for a large gift to be made to the trust, part of which is returned to the donor in the form of an interest-free loan.

The second category, commonly called "discounted gift schemes", requires a gift to be made to a trust effectively controlled by the donor, from which he continues to receive the income until he dies. A combination of two artificial insurance policies, which mature only when the donor reaches the age of 105, is designed to ensure that the value

of his gift for CTT purposes is discounted. The younger and healthier the donor, the greater the discount.

The ICAEW asked the Revenue for confirmation that the new approach, formulated by the Law Lords in the case of *Furniss v Dawson*, would not be applied where there exists specific legislation to stop CTT avoidance.

However, the Revenue replied that it is fully entitled to apply both specific anti-avoidance legislation and the *Furniss v Dawson* doctrine at the same time.

The Institute also sought confirmation that the Revenue would not apply the *Furniss v Dawson* doctrine against "inheritance trusts".

In its reply, the Revenue assumed that the term "inheritance trust" applied to both categories of CTT scheme – and refused to give such confirmation. It said: "The term can be used rather loosely in the context of insurance schemes and, while some of these may be regarded as not open to challenge, others are; and cases will be going to the Special Commissioners in due course."

The cases sent to the Special Commissioners, who arbitrate on legal questions in tax disputes, are apparently to be heard early next year. The only cases that the Revenue has so far confirmed it is challenging are some of the more extreme variations of the discounted gift schemes marketed by Albany Life and Abbey Life designed to dress up a gift as a non-gift and avoid any CTT liability.

Some other types of off-the-peg schemes are also being

challenged, although the Revenue has not yet specified which. But the Revenue's Capital Taxes Office (CTO) made one point of relevance to the Legal and General Capital Preservation plan, the most popular discounted gift scheme, which has attracted about £300m of donor's wealth. Legal and General and a few other life offices have claimed that, because the CTO has agreed with them on the value of the discount for CTT purposes of gifts paid into their schemes, the schemes will not be challenged later, for example when the donor dies.

But the CTO says: "If someone wants to have a valuation agreed with us now on the assumption that the scheme will not be challenged, we may help. But if you value something, it does not mean you are going to buy it."

"We do not want unproductive arguments on our hands before any tax is assessable."

The discounted gift schemes are vulnerable because of their artificial life assurance policies. They are "artificial" in the sense that the relationship between the premiums and benefits of each one individually could not be justified on actuarial grounds. The *Furniss v Dawson* approach allows the taxpayer to strike out any step inserted into a composite transaction purely for the purpose of avoiding tax. The Revenue may argue that without the artificial life policies no gift would have been made for CTT purposes. Therefore their effect can be ignored.

The artificial element in the inheritance trusts is the interest-free loan. This might be considered as making a gift of the interest.

## Allied's retirement advice

ABOUT 10,000 people each week reach State retirement age. Most will be completely unprepared for it.

To cope with this, several organisations have been providing pre-retirement counselling services, including such leading life companies as Legal and General, Prudential, and Standard Life. Today, Allied Dunbar, the largest unit-linked life group in Britain, joins them.

Allied Dunbar is adopting a different approach and style to the others which all had a strong involvement in the company pensions business. This gave them an initial client base,

although they have expanded their services far beyond their own customers.

Allied Dunbar's involvement in the company pensions field is through executive schemes; thus, most requests for pre-retirement counselling have come from this level although lower down the managerial scale.

Counselling seminars organised by Allied Dunbar will have no more than 30 people, plus spouses, and the company will be concentrating on the financial subjects with which it is most familiar, with CTP planning being a central part. However, non-financial aspects, such



as health, housing and hobbies, also will be covered.

The basis of the course material is covered in a new handbook book called *Retirement Planning Guide*. It will be available generally to compete with the host of rival publications.

Eric Short

## The attractions of Zero Coupon Bonds are obvious...

Zero Coupon Bonds are relatively new investments which offer exceptional growth potential and a high degree of security.

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FT12/10

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## Higher education costs

## Take nothing for granted

## George Graham

**The parents' contribution is based on their residual income.**

Little wonder then, Mr Ratcliffe comments, that sorely

Some guests for business such as investment in business expansion schemes or stepping up additional voluntary contributions to your existing pension scheme. As a last resort—and making all sorts of assumptions—you could produce more children and qualify for the child allowance which can be offset against your gross income.

A better option, but again of limited effectiveness, is to reduce income, not by taking a cut in salary but by switching savings out of high yield build-out society and bank accounts and going for capital growth. The alternatives here are low coupon gilts or zero coupon bonds.

The National Union of Students, after studying the position "long and hard," has

**Margaret Hughes**

# A matter of regulation

One can see the ultimate form of protection for unit-holders being akin to this system.

**Eric Short**

## 2 INITIAL OFFERS OF UNITS AT 50¢ UNTIL 29<sup>TH</sup> OCTOBER 1985.

# The big news on Hambros Unit Trusts.

### 3. We're introducing Hambros Income and Protection Scheme

We have created a combination of three trusts specifically designed to meet these objectives. We call it the Hambros Income and Protection Scheme. It combines our two new Hambros unit trusts with the existing Hambros Equity Income Trust, an equity portfolio aimed at achieving growing income from a starting level 20% above the market average. The benefits are clear:

- Six income payments each year, spread evenly through the year
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- The expectation of above average income growth in the future
- The capital value that comes from investment in asset-rich U.K. companies with strong international operations
- The confidence which comes from having your investments managed by one of the best-known names in the City of London

**Your investment into the Hambros Income and Protection Scheme will be divided equally between the three unit trusts. Hambros High Income Trust and Hambros Reserves and Assets Trust are new trusts, and investments made prior to the close of the initial offer period will be made at 50p per unit. Hambros Equity Income Trust is an existing trust and investments into this will be made at the price ruling on the day of purchase.**

**We believe that our latest news contains options and ideas of interest to all serious investors. Whether investing through the Income and Protection Scheme or direct into one of the new trusts, to take advantage of the terms of the initial offers, please ensure your completed coupon and cheque reach us by 29th October 1985.**

If you have one, seek the advice of your professional investment adviser, who will know of us and our products.

**Remember the price of units and the income from them can go down as well as up. Unit trusts should generally be regarded as long term investments.**



# HAMBROS

**HAMBROS BANK UNIT TRUST MANAGERS LIMITED**

**To: Premier Unit Trust Administration, 5 Rayleigh Road, Hutton, Brentwood, Essex CM13 1AA.**  
Telephone orders to Brentwood (0277) 217916.

I/We wish to invest £ (minimum £1,500) in Hambros Income & Protection Scheme, equally divided between the three funds. Hambros Equity Income Trust units will be allocated at the offer price ruling on receipt of this application. Units in the other trusts will be allocated at 50p until the close of the initial offers.

I/We apply for  units in Hambros High Income Trust  
and/or  units in Hambros Reserves & Assets Trust (minimum 2,000 units per trust) at 50p  
per unit under the initial offers closing on 29th October, 1985.

I/We enclose a cheque, payable to Hambros Bank Limited, for £

Please tick box for re-investment of net distributions ☐

MR/MRS/MISS TITLE	FIRST FORENAME	OTHER INITIALS	SURNAME
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HOUSE No. AND STREET	TOWN	COUNTY/POSTAL CODE
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I/We declare that I am/we are over the age of 18.

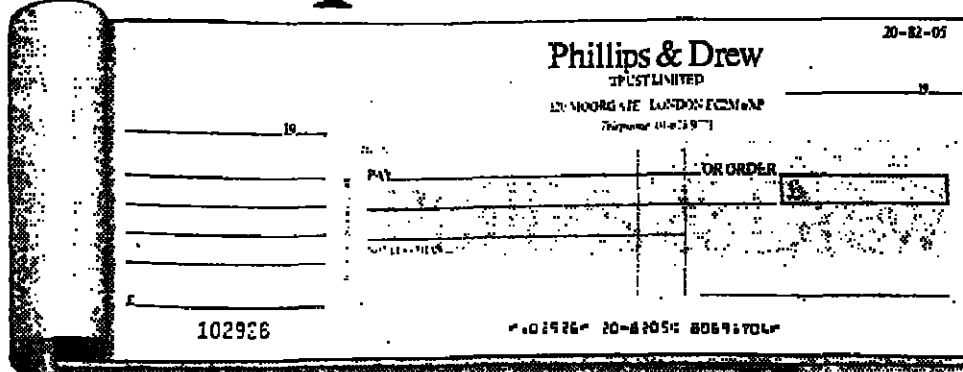
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**Please tick box to receive the booklet on the Hamhros range of Unit Trusts and Monthly Savings Plan** ☐

JE



## Announcing a new cheque account.



## You'll find the difference of considerable interest.

### A High Interest Cheque Account from Phillips & Drew Trust Limited

These days there are lots of high interest cheque accounts on the market but we believe that you will find this one rather different in a number of valuable respects.

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First consider the interest rates we offer. With Phillips & Drew Trust you don't just get the rate fixed by a single institution - you get the benefit of many years of experience in the Money Markets.

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#### Market Review

High Interest Cheque Account holders will automatically receive from Phillips & Drew a free copy of their monthly magazine giving an overview of activity in financial markets throughout the world.

#### Free Desk Top Portfolio

And here's some more good news. As an account holder you will receive entirely free of

charge, a luxurious desk top portfolio, designed to hold your cheque book, paying-in book and statements. There's also plenty of space for your personal stationery.

#### How the account works

Opening and operating the High Interest Cheque Account is simplicity itself.

You need to make an initial deposit of £2,500. Thereafter the minimum transaction size is £250. Interest is credited at the end of each quarter, after discharge of the liability to the basic rate of tax. Detailed statements are sent quarterly, or can be requested at any time free of charge.

There is no charge for opening an account. Our management and administration costs are met by means of a deduction of not more than 1% from the rate of interest received on the placement of depositors' funds.

Withdrawals can be made whenever you require them and, if you can give us 7 days notice of withdrawal (either by telephone or in writing), you will lose no interest. When you make a payment by cheque, 7 days interest will be deducted.

So, if you'd like to start making more of your money now, complete the coupon and return it to us with your cheque.

On receipt we will send you full details together with an application form for you to complete, and when you return it you will receive your cheque book and Desk Top Portfolio.

Alternatively, for further details tick the box in the lower part of the coupon.

It all adds up to a difference of considerable interest.

Phillips & Drew Trust Limited, 120 Moorgate, London EC2M 6XP. Telephone: 01-628 9771.

To: Phillips & Drew Trust Limited, 120 Moorgate, London EC2M 6XP.

I enclose a cheque (maximum £2,500, payable to Phillips & Drew Trust Ltd.) for a \_\_\_\_\_ to open a High Interest Cheque Account.

Are you resident in the UK for tax purposes? Yes/No

I understand that in order to maintain a High Interest Cheque Account, I shall have to sign an application form, agreeing to your terms and conditions.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ FT2

Phillips & Drew Trust Limited

Please send me further details of Phillips & Drew Trust Limited's High Interest Cheque Account. ☐

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As most private investors are aware, there are always excellent investment opportunities - the difficulty is in identifying them and in taking the right action at the right time, and in knowing when to sell as well as when to buy.

In a climate of volatile interest rates and exchange rates and of uncertain political influences, this is not easy. And the consequences of getting it wrong can be very expensive.

Informed and effective investment calls for sophisticated and constant monitoring of markets, fast communications and expert judgement: the kind of stockbroking services provided by the Strauss Turnbull Private Client Service.

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**Strauss Turnbull**  
PRIVATE CLIENT SERVICE

### Investment trusts

## A bonanza goes begging

"IF YOU'VE got it, flaunt it" seems to be a lesson that investment trusts - struggling to throw off their stodgy and somewhat old-fashioned image - are at last learning.

These quoted companies, set up in the late 19th century to give private investors a chance to spread their risks by investing, indirectly, in a number of companies, have been losing out badly in recent years to their more glamorous rivals in the unit trust and unit-linked assurance world.

Investment trusts cannot, even if they wanted to, advertise their shares. And financial advisers can earn more putting their clients' cash elsewhere. Inevitably then, insurance companies and pension funds have taken over from the private punter as the trusts' principal shareholders.

What has given these funds that extra something? After all, they're in the same game - professional management of a portfolio of shares - and their tax treatment is identical to unit trusts.

As "closed end" companies with a fixed share capital, investment trusts need not worry about the sort of volatile behaviour of investors that can give unit trusts managers sleepless nights. If the punters start pulling out they need not sell assets and build up cash to meet redemptions - the share price just falls. That means they can take a longer term view and put more cash in unmarketable securities (unquoted companies, etc) that may offer the greatest growth potential.

A look at the performance tables, though, suggests that investors have been missing out on a bonanza. Over the last 10 years, investment trust shares have on average beaten unit trusts (after reinvesting income) by more than 50 per cent.

producing a handsome return of nearly 1,000 per cent.

In the shorter term, investment trusts are also ahead. Over the five years to September, they clocked up a total return of 147 per cent, compared with 125 per cent by unit trusts. Though there are around three times as many unit trusts, none of them could keep up with the top investment trusts.

More important, the share price, unlike a unit trust's offer price, is determined by supply and demand and tends to trade at a discount to the trust's net assets. So when a trust's chosen sector is in fashion, its discount narrows giving the investor an extra gain on top of the increase in underlying assets.

No wonder then that investment trusts outpaced unit trusts over the post-1974 bull market - their discounts in that period shrunk from around 45 per cent to the low 20s. Of course this gearing effect is a disadvantage when markets (or even currencies) are "losing popularity": the discount on Japanese trusts, for instance, has widened from 1 to 15 per cent in the last 12 months, and they have lost their pole position in the league tables.

The discount also means you should get more income for your money than in a unit trust. In effect you are buying £100 of dividend-producing securities for under £80, and that can have a big impact on total return over the years plus points it may have for the investor.

Insurance companies, pension funds and other big investors are also on the look-out for attractive discounts. Their interest helps to keep share prices from drifting too far away from asset value, and can eliminate the discount altogether if they embark on a takeover.

The other big difference

between investment and unit trusts is that they can gear up by borrowing through loans, debentures, preference shares, etc. Unit trusts are limited to "back to back" loans, which they use as a currency hedge by borrowing foreign currency and depositing the sterling equivalent.

A highly geared trust can be very profitable when interest rates are low and markets buoyant (if conditions are less favourable, of course, the strategy can backfire). In recent years, interest rates have tended to be "above equity yields, so gearing has initially depressed income to shareholders - but income growth on the extra assets bought has lifted earnings over the longer term.

Lately, high interest rates have discouraged trusts taking on new long term debt, and maturing loan stock is frequently not replaced. Short term borrowing for special tasks rules the day. But there are exceptions: New York arbitrageur Ivan Boesky's Cambrian and General Trust is around 800 per cent geared.

Investment trusts also dabble where unit trusts dare not (or are forbidden). There is no limit to the unquoted and unlisted stocks they can buy (unit trusts can only keep 5 per cent in the former and 20-25 per cent in the latter), they can invest in real estate (rather than just property shares), and they are free to use the options and over-the-counter markets.

But it is their relatively heavy overseas exposure that has had the greatest impact on performance over the past five years. Since the abolition of exchange controls in 1979, trusts have put more than 50 per cent of their assets abroad. So the slump in sterling gave them a big fillip.

Last year was not so happy, since many trusts decided too early that the dollar had peaked

### INVESTMENT TRUST PERFORMANCE

Sector	5 yrs	4 yrs	3 yrs	2 yrs	1 yr
Capital and income growth: general	355.9	234.7	231.3	174.2	123.1
Capital and income growth: UK	332.5	240.3	231.6	172.9	124.3
Capital growth: general	387.9	215.3	204.0	158.5	119.0
Capital growth: international	360.4	232.2	215.4	167.2	126.1
Capital growth: N. America	353.1	218.6	212.5	147.8	111.7
Capital growth: Far East	435.5	271.7	247.4	192.6	117.0
Capital growth: Japan	514.0	320.2	282.2	204.3	118.1
Capital growth: commerce and energy	263.8	139.1	127.9	143.1	115.2
Capital growth: technology	377.0	234.5	195.8	135.4	104.1
Income growth	364.1	245.9	234.3	171.8	125.0
Smaller companies	328.7	217.9	206.2	161.5	121.3
Special features	332.5	226.5	213.1	157.0	118.1

Figures to January 1 1985. Total price return to shareholders. Source: Wood, Mackenzie

and hedged much of their U.S. portfolios. They underperformed the Capital International Index by 9 per cent, but their 20 per cent return still licked the 16 per cent average recorded by unit trusts.

Discerning investors have been put off vague and general investment policies of many trusts and opted for a more exotic unit trust specialist. Lately though, trust managers, often under pressure from institutional shareholders, have tightened their objectives and portfolios. In recent months trusts have been launched concentrating on smaller German companies, plantations, and Scandinavia, while London Trust has been converted into a U.S. venture capital operator. Because of their minimal promotional costs, investment trusts charge lower management fees than unit trusts. But small savers can find it expensive buying shares through a stockbroker.

Minimum commission is generally £10-15, so the cost of buying and selling any investment under about £400 will be more than the 6-7 per cent front end load on a unit trust. Small-timers are probably better off in a unit trust savings scheme. Some trusts, however, notably

Globe and Foreign & Colonial, now run schemes allowing their shareholders to make further small monthly investments while Robert Fleming launches a similar arrangement in May covering its 10 trusts.

Regular savers can now also buy investment trusts through life and pensions plans. Sun Life's Personal Pension Plan with Sun Life, while Ivory & Sime has linked up with Tunbridge Wells Equitable to produce a life policy investment in its trusts. Whether the marketing departments of its assurance companies can make a better job of selling investment trusts remains to be seen.

The Association of Investment Trust Companies publishes two booklets giving more information for potential investors. More: For Your Money, an outline of how investment trusts work, and The Private Investor's Stockbroker's List, which gives details of more than 100 stockbroking firms willing to handle private investors' dealings.

The two booklets are available free from: AITC, Park House, 16 Finsbury Circus, London EC2M 7JJ.

Martin Winn

### Taxation

## Advice is the perfect foil against taxman

"INCOME TAX is a tax on income and not meant to be a tax on anything else," it was explained in the case of London County Council v AG in 1901.

The underlying principle that Lord Macnaghten was enunciating remains true, although Capital Gains Tax may now catch some receipts which would have been untaxable earlier. Receipts which are not within the Income Tax or Capital Gains Tax rules bear no tax liability.

However, the special circumstances which give rise to these situations are usually recognisable only by the professional tax adviser. The golden rule for anyone who proposes to become involved in any arrangement with substantial financial consequences is to seek tax advice first.

After the arrangement has been carried out, or the legal formalities concluded, all the tax adviser may be able to do is calculate the tax payable. Take the following cases:

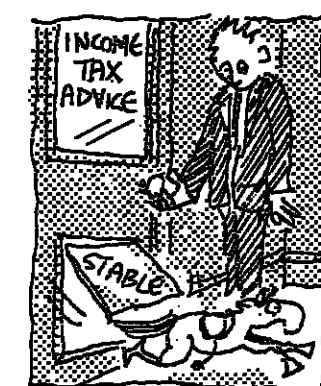
● Mr B, an advertising consultant, was approached by one of his principals, H Ltd, which was launching a new product. The company wanted Mr B to join it full-time as sales director to make sure the new product reached its market potential. A very attractive seven-year contract was offered. Mr B liked the offer, but was concerned that after he had established the market for the new product his expertise would no longer be required. He therefore suggested that his proposed contract should include a compensation clause in case the company wished to terminate his employment. The company agreed, and the contract was drawn up and signed. About 2½ years later the company told Mr B he was no longer required. In accordance with the terms of the contract, compensation of £142,000 was calculated, and agreed without dissent.

However, Mr B was shocked when the company gave him a cheque for less than half this amount after applying paye in accordance with the tax office's instructions.

It was then that Mr B sought tax advice. He was told that since the compensation paid to him arose from the term of his employment contract, it had quite properly been wholly charged to tax. Exemptions usually available for redundancy payments, allowing freedom from tax liability on sums up to £43,000, did not apply to Mr B's compensation. Nothing could now be done.

If the contract had not mentioned compensation for loss of office, Mr B would at least have been entitled to the £43,000 exemption entitlement and probably could have avoided tax completely on any sum agreed as compensation. He should have sought legal advice to make sure that his contract of employment was watertight, and tax advice on how to keep his options open.

● Bill and John, both senior technical employees, were made



redundant when their employer decided to close the local factory and concentrate manufacture elsewhere. In addition to redundancy payments the company offered them the benefit of maintenance agreements in their area in respect of the company's products.

Bill and John ran the contracts together using subcontract labour. They traded profitably for about a year, then business fell away rapidly as their customers failed to renew the agreements. They agreed to cease trading.

John and his wife emigrated to New Zealand within a few weeks. The day John left, Bill took their accounts to the local tax office where an inspector explained how their tax liability would be assessed.

The inspector calculated the respective amounts of tax payable by each partner, explaining that, although they were equal partners in business, their personal allowance claims were not the same.

When the tax assessment was received Bill wrote to John in New Zealand asking him to send his share: just over £2,000.

John wrote back a rather nasty letter. He could not understand why Bill had interfered in his personal tax affairs and wanted to deal with the British tax authorities himself.

Neither Bill nor John understood the law concerning partnerships. The Collector of Taxes did, and called to see Bill. The Collector had received a cheque for just under £2,000 which, Bill pointed out, was his share as calculated by the inspector, adding that the Collector would have to seek the rest from John in New Zealand.

The Collector of Taxes did not seem as friendly as the inspector had been. He explained to Bill that in an agreed partnership each partner was liable for all debts, including tax, and if the balance was not paid within ten days a summons would be issued.

Bill sought help from a solicitor who said that Bill could not avoid paying the debt if he had the funds (which he did). The solicitor also explained the difficulty of proving a partnership debt, when no country would allow its courts to be used to collect another country's tax.

R. B. Cannon

This advertisement is issued in compliance with the Regulations of The Stock Exchange.

## Nationwide Building Society

(Incorporated in England under the Building Societies Act 1874)

Placing of £20,000,000 11½ per cent Bonds due 20th October 1986

Listing for the bonds has been granted by the Council of The Stock Exchange. Listing Particulars in relation to The Nationwide Building Society are available in the Exel Statistical Services. Copies may be obtained from Companies Announcements Office, P.O. Box No. 119, The Stock Exchange, London EC2P 2BT until 15th October 1985 and until 28th October 1985 from:-

Fulton Packshaw Ltd., 34-40 Ludgate Hill, London EC4M 7JT

Laurie, Milbank & Co., Portland House, 72/73 Basinghall Street, London EC2V 5DP

Rowe & Pitman, 1 Finsbury Avenue, London EC2M 2PA

12th October 1985

## The Gresham Trust Business Expansion Fund 1985/86

(A fund approved by the Inland Revenue under the terms of the Finance Act 1985)

Following the successful launch of The Gresham Trust Business Expansion Fund 1984/85, announced in November 1984, which raised approximately £1.72m and was fully invested by 5th April 1985, Gresham Trust is now launching a fund for the tax year 1985/86.

### WHAT THE FUND OFFERS INVESTORS:

- The opportunity to invest in a diversified portfolio of unquoted ordinary shares.
- The benefit of Gresham's long experience of investment in unquoted companies and the investment opportunities made available to Gresham because of its established reputation.
- Tax relief at the highest marginal rate of tax and the chance of a high after tax return.

Applications, which will be dealt with in strict order of receipt, should reach Gresham Trust not later than 1st November 1985.

The minimum investment is £2,000; maximum £40,000.

For a copy of the Memorandum and application form, phone or return the completed coupon. Participants should recognise that investment in unquoted companies carries a high risk as well as the chance of high rewards. Before deciding to proceed with an application, individuals should take financial advice taking account of the risks involved and their own financial circumstances and tax position. This advertisement does not constitute an invitation to participate in the Fund; subscriptions must be made on the terms of the application form contained in the Memorandum.

Gresham Trust p.l.c.

To: Gresham Trust p.l.c., Barrington House, Gresham Street, London EC2V 7HE (Telephone: 01-606 6474) Please send me a copy of the Memorandum inviting participation in The Gresham Trust Business Expansion Fund 1985/86.

Name: \_\_\_\_\_ Address: \_\_\_\_\_

FT2



# "I GOT THE OLD ENDOWMENT OFF SCOTTISH AMICABLE, AND A REAL SMACKER OFF THE DUCHESS."

"Ain't I the blue-eyed boy? I only fixed up an endowment with Scottish Amicable, that's all.

I'm no fool. A bloke in my position, on the back of the fiver, gets to know all about money. I mean, I've been in more wallets than the Chancellor of the Exchequer.

And I found out that Scottish Amicable have come top of all the tables in Money Management's 1985 survey of with-profits endowments.

Love a duck. Love a duchess, I ought to say. She ain't arf pleased.

So she should be. I've got an endowment mortgage on a little semi, only 20 minutes from Waterloo.

And that's just for starters. With Scottish Amicable doing the business, the odds are, we'll get a

tasty lump sum on top. Tax-free, too, courtesy of my mate The Chancellor.

We should be rolling in loot. I needn't flog off my medals after all.

So, give your old Dutch a treat.

Have a word with your building society or insurance geezer about

a Scottish Amicable

**SCOTTISH AMICABLE**

WE'RE A COMPANY OF NOTE. JUST ASK YOUR FINANCIAL ADVISER.



THE DUKE OF WELLINGTON

endowment. Or pick up the old trombone and ring 01-200 0200.

Then, like me and the duchess, you could look forward to a cruise, or a retirement villa in the Med.

I ran into a French bloke once, who said Elba's not a bad place to settle down."



# FT FINANCIAL TIMES CONFERENCES THE SDI, EUREKA AND INDUSTRY

This topical FT conference assesses the SDI and also comments upon Eureka. It is, however, primarily a forum to explain to international business executives the best prospects for them in the 25 billion dollar SDI programme and give guidance on how they can best position themselves to secure contracts. Chaired by Lord Chalfont, the speakers will include:

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Dr Allen E Puckett  
Dr Gerold Yonas  
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Mr H Metcalfe, OBE  
Prof Michael E Howard, CBE, MC, FBA  
Mr Michael Clark, CBE  
Dr Barry Boehm  
Mr Paolo Fasella  
M. Jean-Louis Gergorin  
Dr Raffaele Palieri  
Mr R Michael McCullough

London  
4th and 5th November, 1985

□ Please send me full details of

## The SDI, Eureka and Industry Conference

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Minster House, Arthur Street, London EC4R 9AX.  
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Country \_\_\_\_\_  
Telephone \_\_\_\_\_ Telex \_\_\_\_\_  
Type of Business \_\_\_\_\_

## The name says it all

WITH ABOUT 5m cheques presented for payment to banks in this country every day, it is a mammoth task to examine them all thoroughly. Nevertheless, the job remains a 100 per cent clerical operation.

Signatures present a special problem. Some clerks are able to memorise a remarkable number of their customers' signatures well enough to query one which is out of style. Naturally, special attention is given to high value cheques of, say, £1,000 and more.

The trouble is our signatures change. We lose a few letters turning them into a squiggle, or we add an extra flourish. It is important therefore, to give your bank an up-to-date specimen of your signature at least every two years.

If your bank is not sure whether a signature on one of your cheques is genuine they will contact you and ask you to confirm that it is in order.

When this is not possible the cheque may be returned marked "signature differs" or "signature requires confirmation".

The bank is liable for any loss involved if it pays a cheque or acts on instructions which are not authentic. It matters not whether it is an obvious forgery or skilfully executed.

However, you have an obligation to tell the bank immediately if you discover or suspect that a cheque or other instruction to the bank has been issued without your authority. Failure by a customer to do so may mean that they will be considered guilty of misleading the bank and consequently lose any claim they might have against it.

For example, a customer could cause the bank to pay a cheque which it might otherwise have refused, or prejudice its action against a forger. In one case, a man deliberately altered his signature and then accused the bank of paying a forged cheque. He did not get away with it.

Obviously, the more difficult it is to forge your signature the



better. It does not, of course, have to be legible. Do not sign in pencil. Strictly speaking, it is not illegal, but it is dangerous for obvious reasons and the banks strongly disapprove. To be on the safe side use an ink which is immediately permanent.

If you hurt your hand or become ill so that you cannot sign in your usual style, make a mark in the place for your signature and have it witnessed by your doctor or another responsible person.

You should also ask your doctor to give you a certificate for the bank to the effect that you are in full possession of your faculties and your inability to sign is due to your illness.

Harold Baldwin

## Perks draw in share buyers

CHOCALOLICS are weeping in the streets. Barker & Dobson is no longer giving shareholders a discount on purchases of its Charbonnel et Walker chocolates. The prospect of 10 lb of Charbonnel Mint Crisps at 20 per cent below list price has long been the Stock Exchange's most toothsome boost to wider share ownership, but the concession has now been suspended.

If your sweet tooth is really sulking, you could buy shares in Sassetts Foods, which is once again offering tours of its liquorice allsort and jelly baby factories to investors, but Charbonnel aficionados will have to sustain themselves on the hopes that Barker & Dobson may change its mind and restore the concession.

The bad news comes in this year's guide to share perks from stockbrokers Seymour, Pierce & Co, which lists the companies offering discounts, bonuses or free gifts to their shareholders. Shareholders' perks have re-

ceived a boost from British Telecom's decision to offer telephone bill vouchers to investors, and an increasing number of companies now offer concessions.

It is certainly not a good idea to select your shares just because of the perks they offer. "The investment" should be chosen on its own merits, not solely on the attraction of a concession which the company always reserves the right to alter or withdraw, without notice," says Seymour, Pierce.

For some smaller unquoted companies, however, there may be nothing else to judge by. Tiny local railways, for instance, may be profitable but remain strictly for the enthusiasts. Seymour, Pierce gives details of three which offer fare discounts: And if you like to travel a little faster than the Romney, Hythe and Dymchurch miniature railway, you can always buy shares in London European Airways and receive one free return flight for a companion for every 10 flights you make to Amsterdam or Brussels.

The guide costs £1.50 from Seymour, Pierce and Co, 10 Old Jewry, London EC2R 8EA. But you can get a cheaper, though less glossy, list of shareholder perks by sending a large, stamped addressed envelope to stockbrokers Grieson Grant and Co, Barrington House, 59

Gresham Street, London EC2P 2DS.

A PORTFOLIO OF PERKS

Allied Lyons: £1.50 and £3 vouchers for restaurants; 7.20 per cent discount on Victoria Wines; 10 per cent discount at Allied hotels.

Beecham Group: Up to 19.3 per cent discount on cases of wine.

Burton Group: 20 per cent discount on three purchases at Burton shops; 12.5 per cent discount at Debenhams stores.

European Ferries: 50 per cent discount on ferries (pref. shares only); hotel discounts; educational sponsorship at University College, Buckingham.

Gieves Group: 20 per cent discount on clothes and shoes.

Grand Metropolitan: Discounts on wine, beer and hotels; vouchers for Berni Inns; 10-15 per cent off Executive Dumbbells and Indoor Joggers.

Hawley Group: 15 per cent off home improvement products.

Pentos Group: 10 per cent discount at Dillons, Hudson, Athena bookshops, Athena galleries.

Sketchley: 25 per cent discount on cleaning and shoe repairs.

George Graham

## Bankers' charity-at a cost

THE reduction in bank networks has made it more likely that you will find yourself caught short of cash with no branch of your own bank in sight.

In the good old days, that didn't matter too much, there was always likely to be some bank nearby, where providing you had a guarantee card, you would get your £50 at no extra charge.

But since Barclays set the ball rolling in September 1981, all banks now charge customers from others for cashing cheques.

Not only was Barclays the first to introduce this practice — it also charges most: 75p a cheque for non-customers Monday to Friday, and £2 on Saturdays.

And if you want to draw more cash than the £50 covered by your guarantee card, it will cost you £1.50 if you are using a Barclays branch other than your own. Barclays won't cash cheques over £50 for non-customers.

At Midland, customers from other banks will be charged £2.50 if they want to take out more than £50, but their own customers from other branches get the service free. The same applies to National Westminster. Neither bank charges even for the authorisation phone call it will have to make to the customer's own branch.

Midland, NatWest, Lloyds and most other banks also charge less than Barclays for cashing cheques up to £50 for non-customers. All have a flat 50p levy but only Lloyds provides the facility on Saturday (Midland doesn't open and NatWest won't cash cheques for anyone).

Unlike the others, however, NatWest customers can withdraw money on Saturdays from the Rapidcash tills inside branches.

NatWest and Lloyds do not, in any case, charge each other's customers (including those of Coutts, Isle of Man Bank and Ulster Bank, in the case of NatWest; and National Bank of New Zealand, in the case of Lloyds) for cashing cheques up to £50. NatWest has a similar

reciprocal agreement with the Bank of Scotland.

Any non-customer wanting to cash a cheque for more than £50 will be charged a flat fee of £1.50 at NatWest and 75p plus the cost of the phone call at Lloyds. Customers cashing cheques at branches other than their own will also have to pay the same charge.

Midland and NatWest customers can withdraw cash from each other's hole-in-the-wall dispensers at no additional charge (dispensers generally also have the further advantage that, provided you have enough money in your account, you can withdraw more than £50 from them).

Fewer options are available to customers of Barclays and Lloyds—at least until these banks make their dispenser networks compatible. The only way clients can avoid paying extra for cashing cheques over £50 any but their own branch is to use a dispenser at another of their bank's branches.

If there is no such dispenser in sight, make for a Lloyds branch where the 75p charge (plus phone call) is likely to be substantially less than the £1 fees charged by the others. And give Barclays a wide berth, unless you are a customer.

Margaret Hughes

## Portfolio management

## Fringe benefits for the VIP

VANBRUGH Life Assurance, the unit-linked life subsidiary of the Prudential Corporation, was the first life company to offer special fringe benefits on its high-level investment bond aimed up market—the Vanbrugh Investment Portfolio, referred to appropriately as VIP.

Among these fringe benefits is an annual jamboree, known officially as the VIP Investment Conference, at a leading London hotel.

The 1985 conference was held last week at the Grosvenor House and its aim, as always, was for Vanbrugh's investment managers — Prudential Portfolio Management—to discuss with investors and intermediaries their present philosophy and strategy.

It is not just a public relations exercise. The main speaker was Mr Mick New-

man, although he is no mean PR performer at an time. Mr Newmarch told guests how hedging works (a topical subject, given the continued interest in both overseas funds and currency funds); the present investment thinking of the Pru; and the effects of Big Bang—the coming City revolution.

In the myriad of words written about the latter, very little has been said about the fate of the small investor. Mr Newmarch told his audience that the general effect would be that the small investor would have to pay more in both commission and research.

However, he assured investors and intermediaries that, by investing through Vanbrugh, they would benefit from the savings, expected to accrue to major institutions; the Pru was both big and independent enough to ensure that no conglomerate could take advantage

of it. Investors are likely to hear more in coming months about dealing with an independent rather than a conglomerate and its "Chinese Walls".

On the investment front, Mr Newmarch foresaw a "boring" UK equity market over the next few months, with a likely drift downwards for the rest of this year for fear of an upturn in the New Year.

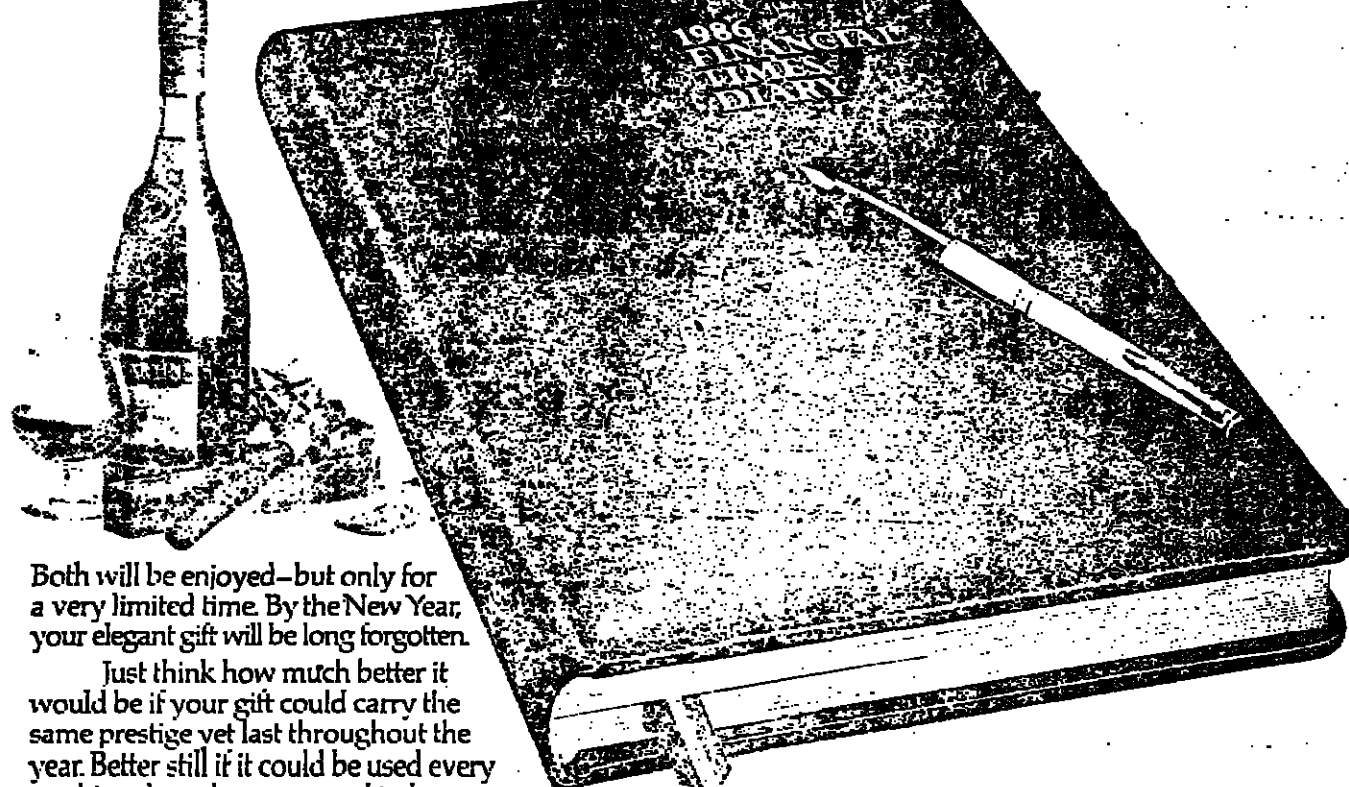
His outlook for foreign markets was related to the attitude of policymakers in the U.S. Assuming, however, an orderly fall in a currently overvalued dollar, he expected overseas markets (particularly Europe) to be attractive.

He saw some selective opportunities in a generally placid property market, but said the outlook for UK gilts depended on a significant interest rate cut.

Eric Short

## Of all prestige business gifts, one outlasts and outperforms all others.

What will you be giving your most valued customers this year? An extravagant hand rolled cigar? A bottle of the finest French brandy? Both are sure to be very well received.



Both will be enjoyed—but only for a very limited time. By the New Year, your elegant gift will be long forgotten.

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## The Third Professional Personal Computer Conference

Speakers at this high-level meeting to be arranged by the Financial Times in London on 30 and 31 October 1985 include:

DR ROBB W. WILMOT  
International Computers Limited

MR A. E. SANTELLI  
IBM United Kingdom International Products Limited

MR BENJAMIN M. ROSEN  
Compaq Computer Corporation

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## BUILDING SOCIETY RATES

	Share	Sub'n	Other
Abbey National	7.00	8.00	8.75 9.00/8.25/9.50 Five Star acc.—instant access/no penalty 8.50 Higher interest, account 90 days' notice or charge 8.50/8.1 Cheque-Save 9.00/9.50 "City" Cheque-Save
Ald to Thrift	8.00	8.00	8.00 Easy withdrawal, no penalty
Alliance and Leicester	7.00	8.00	8.75 Premium Plus min. £500, immediate withdrawal (penalty if balance left is under £10,000) interest annually/only. 8.75 Bankers Plus balance £2,500+, 7.75 under £2,500 current account minimum initial investment £500 8.75 Gold Plus, minimum £500, immediate withdrawal, interest annually or monthly
Anglia	7.00	8.00	8.75 Instant gold. Annual interest. No notice or penalty 9.50 3-year bond, 90 days' not./pen. Differential 2.5 guaranteed 8.75 Capital plus £10,000+. Annual int. 80 days' not./pen.
Barnsley	7.00	8.00	8.50 Savings account—£1,000+—3 months' notice 8.55 Special Invest. (28 days' notice) 10.10 monthly inc. s/o
Bradford and Bingley	7.00	8.00	9.50 No notice no penalty on up to 2 withdrawals per annum 9.75 3 months' notice without penalty
Bristol and West	7.00	8.00	8.75 Plus account £1,000+. No notice. No penalty 8.55 £10,000+. 9.20 £5,000+. 9.05 £1,000+ 7-day notice Triple Bonus. Also monthly income
Britannia	7.00	8.00	8.75 Special 3-month account, £5,000+, 3 months' notice 9.50 60 days' notice
Cardiff	8.50	8.50	8.50 90 days' notice or penalty if balance under £10,000
Catholic	7.30	8.30	10.00 £2,000+ Jubilee Bond. Monthly income. 90 days' notice 8.50 Guaranteed rate 2 2/3 years (or variable account) 8.50
Century (Edinburgh)	8.25	—	8.30 Guaranteed rate 2 2/3 years (or variable account) 8.50
Chelsea	7.00	8.00	8.55 Immediate withdrawal interest pen. or 3 months' notice 8.50 Cheltenham Gold. No notice. No penalties £5,000+ 9.50 £500-£4,999 9.00, under £500 7.00. Monthly income available
Chesham	7.00	8.50	8.50 £20,000-£50,000. 9.25 £10,000-£19,999 inst. acc. no pen. 8.75 7 days, 9.10 1 month, 9.25 2 months, 9.50 3 months
City of London (The)	7.25	8.75	8.80 3 months' notice—no penalty—monthly income 9.20 2 years bond £1,000+. close 90 days' notice and penalty. 8.85 2-year bond £1,000+. close 90 days' notice and penalty. 8.55 Moneymaker £10,000+. 9.30 £5,000+. 9.00 £1,000+
Coventry	7.00	8.25	8.75 3 months' notice. Up to 9.50 no not./pen. monthly int. 8.50 £10,000+. 8.75 £1,000+
Derbyshire	7.00	8.25	8.75 3 months' notice. Up to 9.50 no not./pen. monthly int. 8.50 £10,000+. 8.75 £1,000+
Frome, Sedwood	7.00	10.50	10.50 Gold Star £20,000+. No notice. No penalties. 9.25 £5,000+. 8.75 £1,000+
Gabriel	7.00	8.00	8.50 60-day account (no notice, account 9.75-9.25) 10.00 8 months' notice or penalty if balance under £10,000+
Greenwich	7.00	—	9.00 Cardcash (£2,000+), 7.00 (£1-£1,999) 9.50/9.00/8.50/8.00 instant extra (minimum £500)
Guardian	7.65	—	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Halifax	7.00	8.00	9.50 90-day extra, 80 days' notice/no penalty (min. £500) 9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Heart of England	7.00	8.25	9.80 and 9.25 High interest 9.25 £1,000+ 9.50 £500+
Hemel Hempstead	7.00	8.50	10.00 90 days, 9.00 60 days, 8.75 28 days
Hendon	8.00	—	9.00 7-day account. Minimum £500 3 month 9.75
Hinckley and Rugby	7.00	8.00	10.00 £20,000 High Rise wtd. no pen. Rate varies with balance
Lambeth	7.15	8.25	10.00 Under £10K, 10.25 over £10K mag s/o 6 wks+loss of int
Leamington Spa	7.10	—	9.50 High Rise monthly no notice/penalty £5,000 minimum 9.50 High Rise monthly no notice/penalty £5,000 minimum 9.50 Super share no not., 14 days' notice £20,000 minimum 9.50 Super share £5,000 minimum no notice/penalty
Leeds and Holbeck	7.00	8.75	9.75 Monthly interest, 9.25 28 days' notice, 9.50 60 days' notice or penalty, neither if £10,000 still in account 9.50 £10,000+. No penalty/no notice 9.25 £5,000+. 9.25 £1,000+
Leeds Permanent	7.00	8.00	9.50 2-year term £10K+. £2,500-£9,999 8.75, £2,500 7.75 9.50 2-year term £10K+. £2,500-£9,999 8.75, £2,500 7.75
Leisham	7.00	—	9.50 2-year term £10K+. £2,500-£9,999 8.75, £2,500 7.75
Merrington	8.10	—	9.10 2-year term £10K+. £2,500-£9,999 8.75, £2,500 7.75
National Counties	7.30	8.55	9.50 90 days' notice, no penalty £10K+, 9.50 £5K+, 9.50 £2K+
National and Provincial	7.00	8.00	9.50 APEX 3rd iss. (+2.50 gtd. 3 yrs), 9.50 28 days' notice/penalty 9.50 Special share 60-day notice/penalty unless £10,000+
Nationwide	7.00	—	9.50 Money man, £5,000+. No notice, no penalty 9.50 Plus bonus: £10,000+, 9.25 £5,000+, 9.00 £1,000+
Newcastle	7.00	8.25	9.50 £500+, 8.00 £100+ no notice, no penalty 9.50 Capital Bonds 3 yrs, 2.5 gtd. diff. 90 days' not./pen. 9.50 Plus bonus: £10,000+, 9.25 £5,000+, 9.00 £1,000+
Northern Rock	7.00	8.25	9.50 Money spinner plus £10,000 or more 9.50 Money spinner plus £5,000 or more 9.50 7-day/monthly income option/9.00 on £10,000+
Norwich	7.00	8.25	8.55/8.75 immediate withdrawal, if over £2,000. Monthly income 10.00 Double guarantee, 3% diff. 9.50 30-day monthly interest
Packham	7.65	—	9.50 Gold seal. Min. £1,000, 1-yr. term, 9.50 30 days' notice
Peterborough	7.00	8.30	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Portman	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Portsmouth	7.15	8.55	10.00 3-year, 9.50 90-day, 9.15 30-day, 8.70 7-day
Property Owners	7.50	9.00	10.25 2 yrs, 10.00 £20K+, 9.75 £10K+, 9.50 £5K+, 9.30 £2K+
Scarborough	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Skipton	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Stroud	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Sussex Co-ops	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Thrift	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Town and Country	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Wessex	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Westwich	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)
Yorkshire	7.00	8.25	9.50 90-day extra, 80 days' notice/no penalty (min. £500)

All these per cent rates are after basic rate tax liability has been settled on behalf of the investor



## FINANCE &amp; THE FAMILY

## Briefcase

## Insist on getting a share certificate

I purchased some shares in January through a licensed dealer and paid for them at the due date. The shares were sold in June via the same dealer. They say the share certificate was sent in April (I did not receive it) and now want a bankers' indemnity which is going to be a lengthy operation. Can they insist on this?

If you have never had the share certificate, we think that the common practice of seeking a banker's indemnity from you is not justified. You should require the dealer to do whatever is necessary to procure your share certificate, bearing in mind that the company has a duty to deliver a certificate to every member.

## Allowances on bungalow sale

Fourteen years ago I bought a small bungalow for the price of £2,000. It has since been rented, but the old couple who live there will shortly be going to an old people's home and I am then thinking of selling. A local estate agent informs me that I should easily get about £22,000 for this. On this gain of £20,000 I estimate that I should pay £5,000 Capital Gains Tax.

I understand that I can set

the yearly allowance of £5,000 against this and that there should also be an allowance for "inflation indexation."

Can you tell me if this is correct please and how this allowance if any would work out?

The chargeable gain might be around £15,000, as follows:

Proceeds say ..... £25,000  
Cost say ..... 3,000  
22,000

Indexation: say 20% per cent of £2,000 = ..... 400

1985-86 exempt amount 21,392

£1,608

Ask the estate agent whether the market value of the bungalow on March 31 1982, with sitting tenants, was more than £3,000. If he thinks that it was, it may be worth electing to have the indexation based on that value, but ask your solicitor for guidance through the tax maze.

Arranging a covenant

My son is living with a woman and her eight-year-old son. My son is supporting them both. He has an additional allowance from the Inland Revenue for the boy.

Is there any way I can use a covenant to help to support the boy and so give my son some financial relief?

I can afford to give about £600 a year (ie £480 from me and a tax rebate of £120). Could this money be used legally by my son to go towards the boy's keep?

Yes, to both questions. A solicitor can prepare a suitably worded deed of covenant. If you give him or her a note of the background facts and figures.

Money left to children in NZ

A testator in the UK wishes to leave by his will a substantial sum of money in trust for two young children born and domiciled in New Zealand. He wishes to ensure that the capital will be actively supervised and that the income will be used as the trustees think fit for the benefit of the children and not re-invested. The children are to inherit the capital when they reach the age of 21.

How can this best be arranged, and what would be the tax aspect?

The amounts involved appear to justify the expense of professional guidance through the maze of UK and NZ taxation. Prima facie, it would be best

to appoint trustees who are (and are likely to remain) resident outside the UK.

There is really nothing more that we can usefully say, on the bare facts outlined.

## Lodgers are not tax-free

My husband died last September, my income will be: Widows pension £1,562 per annum, dividends about £5,000 (tax paid), rent from cottage £2,400 (no tax paid, yet).

I understand from a friend that up to £2,000 (net profit) can be earned from lodgers, on which no tax is required to be paid—is this true?

For 1985-86, you are entitled to a basic personal allowance of £2,005 plus the bereavement allowance of £1,250. Since your pension and the net cottage rent will exceed the total of these two allowances, any profit from lodgers will be taxable (at 30 per cent).

You will not be entitled to the bereavement allowance next year.

VAT and the disabled

My daughter owns a terrace house in the Midlands. It was

unimproved having neither bathroom nor indoor WC. The tenant had a stroke a few years ago and is very disabled, and registered as such.

Recently and with the help of a Council grant the house was repaired and improved at a cost of about £11,000. I had previously read that where the occupier is disabled VAT is not levied on the costs of repairs and improvements.

I asked the Council who paid the grant, for their ruling on the amount of VAT which should be charged if any, and I was told that VAT would be charged at a reduced rate.

The builder writes to say he has been in touch with HM Customs and Excise who rule that full VAT should be applied to all items of the account. Apparently unless the owner of the property is a registered person relief from VAT cannot be claimed. Is this right?

The cost of certain improvements to property are zero rated when supplied by a VAT registered trader to a handicapped person. It seems to us that your daughter is not entitled to zero rating treatment as the supplies of goods and services have been made to her by the builder and not by the builder to the handicapped person.

disposes of the assets. A non-resident donor, on the other hand, being exempt from Capital Gains Tax, will have no such problems.

For those few expatriates returning to the UK who are not currently to be regarded as domiciled there, the benefits to be secured are very substantial. They might have this status because several generations of the family have been expatriates and the link with the UK has been somewhat loosened. Alternatively, they may be naturalised Britons of foreign extraction.

Whichever it is, while their non-domicile status remains, they can make gifts from overseas assets (in lifetime or on death), without any liability to CTT at all. Further, that benefit can be permanently secured in relation to assets conveyed into a settlement, even if the settlor himself subsequently becomes a UK domiciliary.

Donald Elkin is a director of Wilfred T. Fry.

But in some respects, the expatriate is certainly better off. Consider the case of a person who decides to make a gift to his son. A UK resident donor will have to pay tax on any capital realised to provide the necessary cash, or which are inherent in any assets transferred.

Of course, in the latter case, the donor and donee can elect that the gain should be "rolled over," with the effect that no tax is payable until the son

disposes of the assets. A non-resident donor, on the other hand, being exempt from Capital Gains Tax, will have no such problems.

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But in some respects, the expatriate is certainly better off. Consider the case of a person who decides to make a gift to his son. A UK resident donor will have to pay tax on any capital realised to provide the necessary cash, or which are inherent in any assets transferred.

Of course, in the latter case, the donor and donee can elect that the gain should be "rolled over," with the effect that no tax is payable until the son

disposes of the assets. A non-resident donor, on the other hand, being exempt from Capital Gains Tax, will have no such problems.

For those few expatriates returning to the UK who are not currently to be regarded as domiciled there, the benefits to be secured are very substantial. They might have this status because several generations of the family have been expatriates and the link with the UK has been somewhat loosened. Alternatively, they may be naturalised Britons of foreign extraction.

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Source: Pensions Savings (Offer to Offer including reinvested income)

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## Rich harvest for estate buyers

INVESTING in quality is accepted generally as a sensible thing to do. But this is not always the case where the quality of agricultural land is concerned: it depends very much upon the context in which the land is used.

For instance, the residential estate at present is selling much more easily than its cousin, the farm of similar size. It is a difficult market all round for pure commercial farming land.

So what makes a property a residential estate rather than a commercial farm? In many instances, of course, the distinction is a little blurred.

According to Tim Jackson-Stops, of Jackson-Stops and Staff in Curzon Street, London W1, an estate depends much more on its living appeal than the size or productivity of its land. He explains: "A comfortable, well-kept main house with supporting cottages, woodland, lakes and ponds, as well as farmland, are all things that would attract someone, not necessarily of farming origin, to buy. Ambience and accessibility are usually of more importance than the quality of the soil which, even at its best, has dropped in value."

Agricultural land is graded on the basis of physical quality alone. Grade one is top quality with well-drained, sandy, silt or peat loams, lying on level sites or gentle slopes, on which most crops can be grown. Grade two is very good, but might have limitations of texture, depth or drainage.

Grade three might have similar defects, or high rainfall (as in north-west England, Wales and the West Country), or be too steep. A high proportion of Grade four and five land will be under grass with occasional fields, of oats, barley or forage crops.

As an example of living appeal over land quality, the 98-acre Rappley Estate near Horsham, Sussex, recently made nearly £800,000 at auction through King and Chasemore and Jackson-Stops. Mainstay of the package was a fine late Victorian, eight-bedroom, four-bathroom house with staff accommodation, built by "Soppy" Knight of Knight's Castle, plus cottages, swimming pool and superb views over the River Arun.

All this raised the farmland value to more than £3,000 an acre—a figure that would certainly not have been achieved for what is mostly Grade three land had it been sold as farm-

land," Jackson-Stops admits.

As another example, he quotes the Upper Billesley Estate near Stratford-upon-Avon, which is being sold by Robert Ansell, grandson of Birmingham brewer Joseph Ansell, through Jackson-Stops and Andrew Grant of Worcester. It has an imposing nine-bedroom, four-bathroom period house, a number of cottages, swimming pool, tennis court and a 474-acre farm. There also is woodland forming a 2000 shoot and averaging around 900 pheasants over five years.

If this had been a 474-acre farm in the same area, without all these amenities, the price might have been in the £700,000 to £1m bracket. As it is, there is interest around £1m," says Jackson-Stops.

Savills' autumn *Agricultural Land Market Report* also confirms that good amenity residential farms in fashionable areas have sold quickly at good prices. "The value of the house has had a very significant effect on the value of the farm," it adds.

Looking ahead, while emphasising the continuing fall in values, it predicts that opportunities for shrewd investment are likely to present themselves next year. But investors have to be prepared to take a long-term view.

One compact residential farm of high commercial value coupled with amenity appeal is Hammerden Farm, East Sussex, with Stonegate station (Charing Cross 70 minutes) at the end of the drive. Originally farming part of the Whilgh Estate, it covers 181 acres of mainly Grade three land.

Harry Martini, of Savills' Grosvenor Hill, W1, office is inviting offers in excess of £450,000 for the whole, including the well-appointed period house; or it can be divided up into four lots.

The most favoured area for estates is in and around the "golden triangle" roughly between the M3 and M40 motorways. This covers parts of Berkshire, Wiltshire, Hampshire, Oxfordshire, Dorset and Avon, with perhaps a bit of Somerset and Gloucestershire. All are places where beautiful countryside and quick access to London and its airports are the major factors influencing value.

A residential estate in these sectors could be worth up to 50 per cent more per acre than the equivalent basic working farm," says Jackson-Stops.

This year has heralded a period of change and growth for the market in the South-

east, the implications of which are not yet appreciated fully by owners and potential buyers, says Roddy Loder-Symonds and Ian Hepburn, part of Strutt and Parker's farm agency team.

They add: "As communications rapidly improve in the area, demand for good quality land and residential holdings will intensify. The market last year was very active, with over 10,500 acres of in-hand, and let farms and estates being marketed. The residential farms improved throughout the year and showed no signs of suffering from restrictions imposed on farming."

Strutt's confirms that where property has a high residential interest coming from London-based buyers looking mainly for attractive country houses with the added bonus of being surrounded by their own farms. The company warns, too, that with the improvement in communications, residential units will be more desirable than ever and no longer the preserve of local farmers.

Ideal for the London businessman looking to invest in the buoyant residential farm market—that is how Stephen Hardwick, from Strutt's office in High Street, Lewes, is promoting Bush Farm, Chalfont, East Sussex. The M23 and M25 are within easy reach and Gatwick airport a 30-minute drive. Around £500,000 is being asked for the 16th-century timber-frame house, bungalow, farm buildings and 89 acres.

The possibility of a Channel tunnel being built could result in increased value for the 398 acres of mainly Grade two land at the Spitzbrook and Pottenden Estate near Maidenhed, Kent. Some of it is bisected by the main London to Dover railway line.

Allen Bates (01-499 1665), is asking in the region of £1.5m for the Victorian house (built by Lord Palmerston as a

wedding present for his daughter), the land, and a traditional Kentish four kiln east. The owner is selling because of a back injury, that he has of so many farmers.

Many agents find that the prices of estates are being determined mostly by new money coming out of the City, from abroad, and out of the entertainment business. Savills adds: "There is a significant amount of money coming from the financial and industrial sector where companies have gone public or been amalgamated, and substantial sums of money are realised for individuals to reinvest. There has been an increase in overseas buyers, too, mainly from Europe and Scandinavia."

Summing up prospects, it expects that the difficult harvest will further depress values as farmers become more cautious about buying, while reduced income against budgeted figures might also cause others to sell.

In Scotland, for instance, where amenity is lacking, values have fallen considerably. Arable ground is available for £800 an acre in Aberdeenshire, £1,000 an acre in the Angus Glens and only a little more in the better parts of Dumfriesshire.

Nevertheless, Savills insists that farming is not all gloom and doom, and points to the fine estates it is marketing now:

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June Field



Upper Billesley, Stratford-upon-Avon, a 474-acre estate likely to fetch in the region of £1m through Jackson-Stops and Staff (01-499 6291), and Andrew Grant (0905 24477).



Sowley Estate, Lynton, Hampshire, originally part of the Beaulieu Manor estate, with 1,033 acres, priced in excess of £2.5m through Strutt & Parker (01-629 7282).



Offers of about £1.5m are being sought for Spitzbrook and Pottenden Estate near Tunbridge Wells, Kent, through Allen Bates (01-499 1665).

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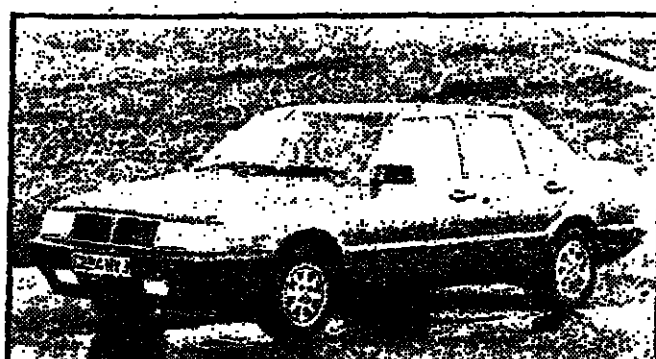
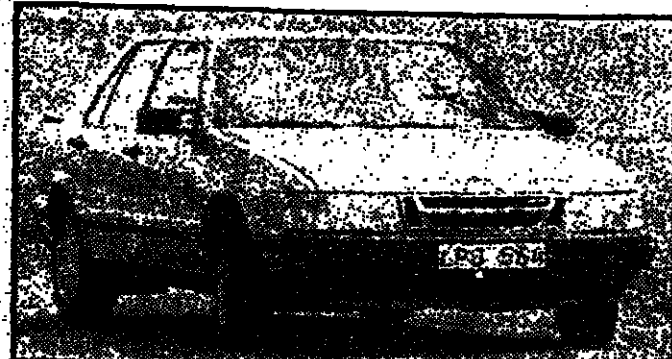
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a pregnant pheasant tail; very small, and hackled—no more hackle than will keep it afloat with a little grease. It has proved useless for several years but with very clear water in September, I found it came into its own again.

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## Fishing

found it successful where nymphs were useless. This reinforces my belief that a floating fly, well presented, is the easiest way to catch trout. Using this fly, I have managed to average at least one fish on every visit to the river this season. Even the few blank days have produced such marvellous chance-catches (which I failed to take) that was happy to see the fish escape.

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**John Cherrington**

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## TRAVEL

Arthur Sandles takes a trip to Cyprus...

## Aphrodite's oasis

I DON'T know what Aphrodite made of it as she rose from the waters, but I thought it was distinctly warm. Cyprus, Javourette haunt of the belle odyssey, had something of a heat wave this year; even a couple of weeks ago, it was off the beach and into the shade once the sun got up a little.

Cyprus sits at the eastern edge of the Mediterranean, its own problems almost forgotten by the world as the slightly off-kilter of Lebanon unfold. In Cyprus, the terror of the Middle East is strangely both near and far. There is no doubt that Cyprus is another world; Beirut is so close that, in the evenings, you can watch its television broadcasts.

Putting aside for a moment the Green Line that divides it, Cyprus is an oasis of calm in a much strained region. This could be the reason as much for its own natural attractions as for the island experiencing a tourist boom.

The play about Cyprus, as old hands will tell you, is that the most scenic parts are in the British-controlled north, which is out of bounds. So what the north—arriving from the UK at Paphos or Larnaca airport—has is a coastline that grows more spectacular as you head west and a range of mountains in the middle that provide a welcome touch of cool air in the summer months.

Aphrodite, by the way, is said by the locals to have popped up from the ocean and into this earthly world at Petra tou Romiou, a pretty little spot where a rocky outcrop is the focal point of a small bay. When she arrived, however, one imagines the main road did not run quite so close.

Rather less confined by such modernity are Aphrodite's baths, a delightful pool in a woodland setting. Rejected suitors were, it is said, recommended by the beautiful Aphrodite to calm their loving ardour in the chilly waters of one of the streams nearby.

The baths are to the north of Paphos, and it is here that the culture set should head. The Tombs of Kings, the House of Theseus and Paphos Fort are all in the town or nearby. The Curium site at Episkopi, not far from Paphos but nearer Limassol, is one of the ancient world's most spectacular sites, and sights. The Roman Theatre, set on the edge of a substantial cliff, has an incredible backdrop of the sea. The theatre is, in fact, still in use; when I was there recently, it was about to offer an evening of Irish dancing!

Paphos old town is a typical Greek urban community, with some charm but a great deal of dust. The port area is a pleasant little spot for lunch or

dinner, with several waterside restaurants offering meze (the quality of which can at times be ignored when the wine, which is good and cheap, flows freely).

A modern town is springing up with the "new traditional" collection of hotels, apartments and boutiques; I actually find it more pleasant than the old one. In Paphos, I stayed at a new four-star hotel, the Cypria Maris, which is appearing in many operators' brochures. I would certainly commend it—the food, incidentally, was vastly superior to that of most local restaurants.

The problem of Paphos is that it does not really show much in the way of beaches. For those, you must head to the other end of the island and Ayia Napa.

This once-tiny village has grown enormously since I first saw it. The closure to most visitors of Famagusta, now in the Turkish zone, has led to the concentration of development down the coast at Ayia Napa, and the results are quite pleasant. A series of new, and very high standard, hotels have grown up (I stayed at the newish Grecian Sands, one of the best popular resort hotels I have seen for a year or so); and the town, which is devoted single-mindedly to tourism, is a jolly place to stroll around.

For me, a successful holiday on Cyprus would require a good hotel, several good books and a rental car (essential) to catch a little culture, buy some shoes



A beach mid-way along the Limassol-Paphos road, legendary birthplace of Aphrodite, Goddess of Love and Beauty

The capital, Nicosia, is interesting (take a look at the N forces watching the border posts) but not a place to stay on holiday. Limassol and Larnaca are well worth skirting unless you want to buy some shoes (certainly, the best buy on the island).

For me, a successful holiday on Cyprus would require a good hotel, several good books and a rental car (essential) to catch a little culture, buy some shoes

and try a little more meze. The best time of year to go is the spring, with April, May and June ideal.

Further information: The Cyprus National Tourist Office at 213, Regent Street, London W1R 5DA, will give details of your operators serving Cyprus. There is no particular benefit in independent travel since most of the hotels seem to be tied-in with an operator or two. Cyprus Airways and British Airways have regular flights.

week motel package would cost \$275 a person for a week. Last winter I was paying \$20-\$25 a day for lift passes bought as needed and paying \$40-\$50 for quite reasonable hotel rooms. A one-week "skierised" car rental should cost about \$175.

If you want a total ex-UK package ask your travel agent for the brochures of American Dream (or call 01-470 1182) which runs trips to several U.S. resorts and Club Mediterranean, which has a club operation in Copper Mountain at \$566 a week in February, plus fares.

But American Express probably does the most effective programme in league with TWA. A wide range of results are offered at very good prices. For the Reno/Lake Tahoe area try writing to the Reno-Sparks Convention and Visitors Bureau, PO Box 11430, Reno, Nevada 89510, U.S. Colorado Ski Country can be found at 1410 Grante, Suite A-201, Denver Colorado 80203, U.S. Ski Utah is at 307 West 300 East, Suite 5005, Salt Lake City, Utah 84101, U.S.

## CHESS

ANATOLY KARPOV's unforced blunder in game 11 of the world title match in Moscow carries potentially ominous implications for the champion. A major factor in Karpov's successful career has been his ability to avoid really bad oversights; his rare defeats generally have come after four or five battles of manoeuvre, or occasionally through being caught out in the opening.

The game 11 disaster, however, immediately brought back memories of Karpov's weak finish to the aborted series earlier this year when the challenger, Gary Kasparov, won both the 47th and 48th games. At that time, the slightly built Karpov had lost 22 pounds in weight during the match and was rumoured to be attending a Moscow clinic for psychological aid.

Karpov denied the stories, but doubts remained. It was significant last week that following his loss, Karpov took a quick draw with the white pieces and then opted for a weekend time-out.

WHITE: G. Kasparov. BLACK: A. Karpov. Nimzo-Indian Defence (11th game). 1 P-Q4, N-KB3; 2 P-QB4, P-K3; 3 N-QB3, B-N5; 4 N-B3, 0-0; 5 B-N5, P-B4.

More active than 5... P-Q3 played in the seventh game. 6 P-K3, P-P; 7 P-P, P-KR3; 8 B-R4, P-Q4; 9 R-B1, P-P.

If 9... N-B3; 10 P-B5 followed by B-QN5 gives White a significant queen's side pawn majority.

10 B-P, N-B3; 11 0-0, B-K2; 12 R-K1, P-QN3. The position is now a standard Queen's Gambit except that Black has lost a tempo through his bishop manoeuvre QN3-K2.

Press room grandmasters argued that Kasparov should have exploited his time advantage by 13 P-Q5, N-P; 14 B-N, P-P; 15 N-Q4; with good play for the pawn.

13 P-QR3, B-N2; 14 B-N3, R-B1; 15 B-R2, B-Q3!

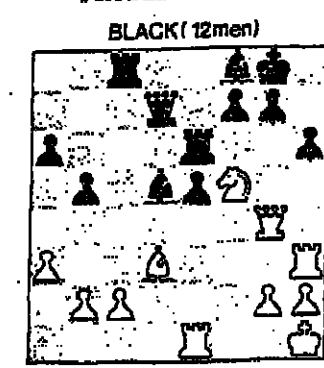
With the point 16 B-R4, P-KN4; 17 B-N3, B-B; 18 P-P, P-N5; 19 N-K5, Q-P; 20 P-Q5, P-P; 21 N-Q4, B-B; 22 Q-R4, KR-Q1; 21 QR-Q1, R-Q2.

21... R-Q3 and QR-Q1 was simpler. Both GMs still had half an hour for 18 moves to the time control, so there was no real danger.

Before Karpov's blunder, the press room was castigating Kasparov for his ineffective choice at move 13.

Here R(2)-B2 would keep the game level. 23 QxR! R-Q; 24 R-K5 ch, R-E2; 25 B-N4 ch. Resigns. For if P-N3; 26 R-R, B-R3; 27 B-N, QxR? 28 RxBP mate.

## PROBLEM No. 583



WHITE (11 men) A. Westerman v. P. van der Sterren, Brocco Open 1985. White sacrificed a pawn for this attacking position. The double puzzle is to work out (a) what he threatens and (b) how Black (to play) should counter best.

Solution Page XVII  
Leonard Barden

## BRIDGE

WHEN a declarer cannot get home by straightforward play, he must resort to deception. Let us study this deal from rubber bridge:

At game all South dealt and opened with one spade, to which North replied with two clubs. South rebid two spades; but when North raised to three spades, he shut his eyes and bid the game.

West led the diamond Knave, and the Queen won. The declarer saw that the only hope of fulfilling his contract was to make two heart ruffs in dummy. It was clear, however, that if he cashed the club Ace and King of diamonds and then lead a heart, the defenders inevitably would switch to Ace and another trump. This defence, by restrict-

ing him to just one heart ruff would defeat the contract. Somehow, thought South, I must create a diversion and prevent the trump lead.

At trick two, therefore, he led dummy's heart ten, as though taking a finesse. West won with the Knave and returned the nine of clubs.

Winning with dummy's Ace, the declarer returned a club and ruffed in hand. Then he discarded dummy's two hearts on the diamond honour, and ruffed a heart on the table. He crossed to hand by ruffing a club, and ruffed a heart with the spade nine. Another club ruff allowed him to ruff another heart with the spade Queen. East overruffed, but that was the last trick for the defence and South scored 11 tricks.

Deception is not the prerogative of the declarer—watch East's defence here:

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E. P. C. Cotter

THE U.S. ski industry usually resorts to getting on Thanksgiving weekend at the end of December, and run through to Easter. For the past couple of years that has been of scarcely more than academic interest to overseas holiday skiers.

The strong dollar made ski trips to the U.S. prohibitively expensive; but a surprising number of UK residents still made their way to the U.S. slopes, usually as part of a business trip.

U.S. skiing — or at least the Rocky Mountain and Sierra skiing of the west — is different. I would not bother to cross the Atlantic to ski New England, except perhaps for cross country, but the slopes of Colorado, Utah, California, Nevada, New Mexico and Oregon are another matter.

The great plus factors are: the snow is more reliable, and the tree line is much higher; the ski-lift systems better organised and the queues much shorter — and more polite. The disadvantages are that few U.S. resorts have any real "village" a car is often essential.

... and looks at American winter resorts

## Go west for the best in skiing

The U.S. west is a long way away, and insurance premiums can be high.

Still tempted? The places to head for are centred around three gateway airports: Denver, Salt Lake City, and Reno. Through Denver you can reach a range of resorts, but my own choices would be Steamboat Springs (a good all-round resort), Vail for that "old money" feeling, and, of course, Aspen — probably the place I would choose if I were confined to one ski resort for the rest of my days. All three have villages, and a car is not essential.

In Utah the skiing is closer to the airport and a little cheaper than in Colorado. In spite of Utah's Mormon image, liquor tends to flow like water and the discos are as wild as anything alpine. Park City is the prime resort, a big bustling

place based on an old mining town. Snowbird is a purpose-built centre something like Flaine, in France, and Deer Valley is a glossy up-market centre for the skiing jet set.

It is difficult to compartmentalise resorts on the California/Nevada border grouped round Lake Tahoe and reached by road from Reno. There are 18 resorts in the area: the big names are Heavenly Valley, Squaw Valley, Alpine Meadows, Northstar. The skiing is very good indeed, with a range of terrain and some spectacular views of the lake.

To ski the area, however, you really do need a car. This enables you to pick and choose where to ski. If I had to choose, I think I would stay in North Lake Tahoe, and concentrate on Squaw Valley and Alpine Meadows. That is not to say that

I would willingly miss skiing Heavenly Valley at the south end of the lake. It offers dazzling Tahoe views on one side and, as you ski over the border, a panorama of the Nevada desert on the other.

Prices are difficult to quote: there are considerable variables. You should be able to get a basic excursion fare to the U.S. west for under £350 this winter. Try TWA, which is making a big effort to capture ski business, but American, Pan Am, Western, North West, British Airways and British Caledonian have routes to the main gateways (you can drive to Reno from San Francisco).

You can buy local packages which include accommodation and lift-passes. In Tahoe the package lift pass usually gives you a free run of five main resorts. A fairly typical one-

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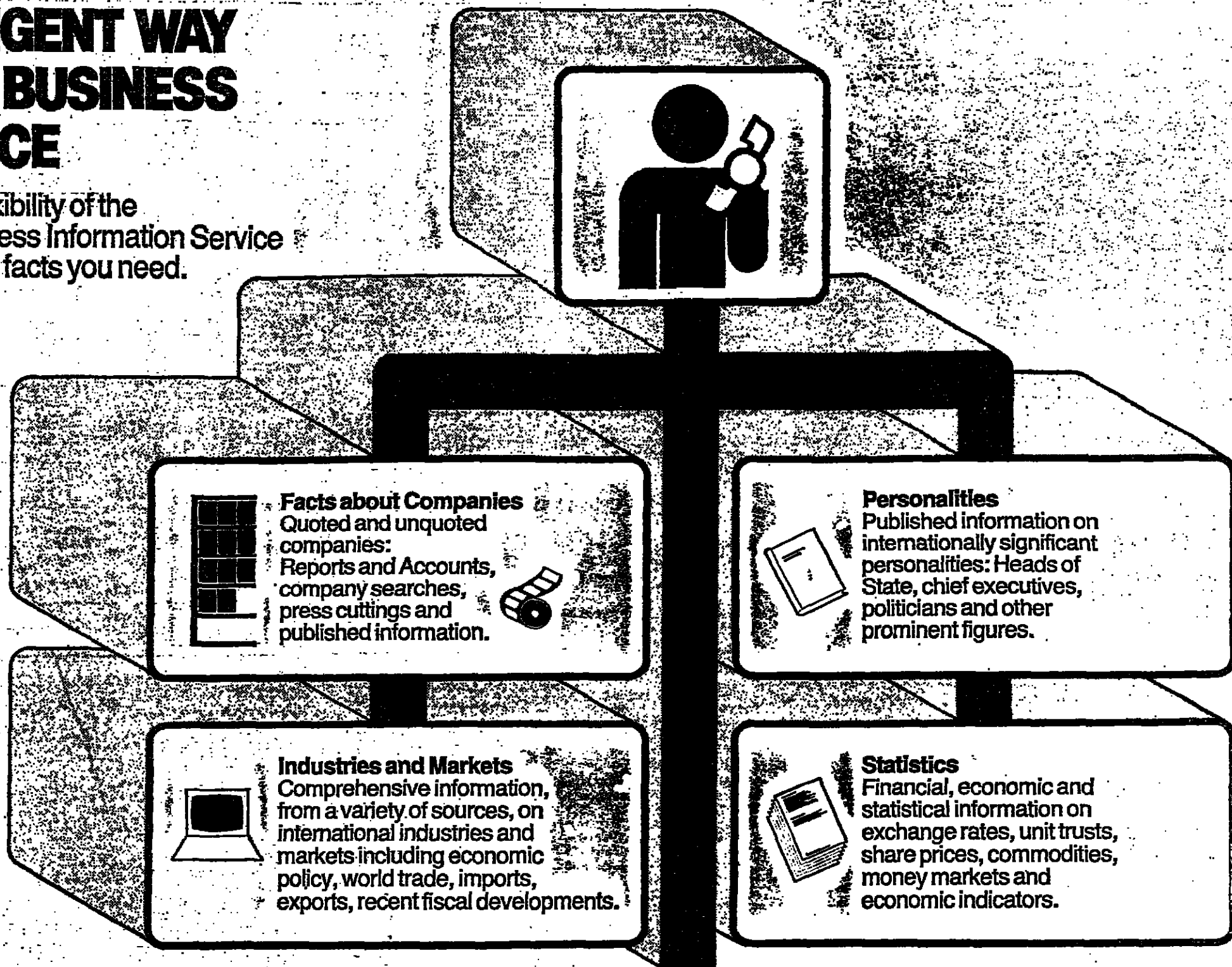
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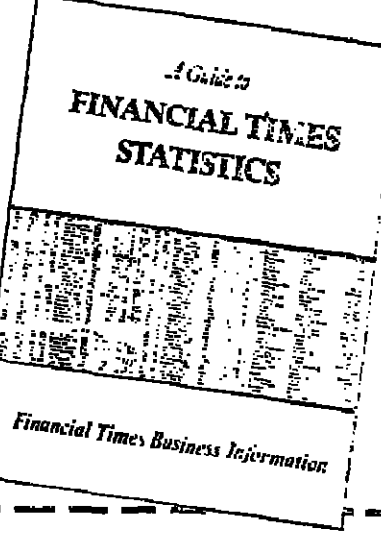
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• DIVERSIONS •

## Starting from scratch: rowing



Lloyd Grossman takes the tank test at Twickenham

## River of non-stop return

LIKE MANY people who go to Henley, I'm more interested in the picnic than the rowing. For those who didn't row at school or university and are under six feet or 14 stone the world of competitive rowing seems forever inaccessible.

I like being on the water and have dipped oars in Loch, sea and river but only for the gentler of paddles. Living as I do close to the Thames, I've often felt that a strenuous row along the river might provide the optimum combination of sport and sightseeing. The rowing world is surprisingly open and informal and helpful to landlubbers once they show some inclination.

Sent to the Twickenham rowing club for my initiation, I was met by club secretary John Radgick—an estate auctioneer when not on the river—in the pleasantly run down boathouse which lies among the great houses of that stretch of the Thames—Marble Hill Hall, Orleans House, York House.

As we sat in the club bar—like any other sports club bar rough and ready with the slight tang of the gymnasium—Radgick outlined the club's history. Not as rich or big as the clubs which crowd the Putney Embankment in London, Twickenham is a solid and respectable mid-Victorian foundation with about 250 members.

Rowing is a purely competitive sport in this country. Radgick explains and clubs aim to enter and win races at regattas held all round Britain. All rowers are classified according to the numbers of races they've won, ranging from novice up to elite. It is a sport which requires a lot of time and

commitment—Saturday and Sunday mornings on the river; Monday evening in the gym training; and more rowing on two other evenings.

Radgick admits that many people find it difficult to maintain the commitment as they get older and business and family demands increase, but once taken up rowing becomes a life-time interest and many rowers train and compete until well past retirement age.

It has to be stressed though that this is hardly a casual pursuit. A tour of the boat house was fascinating as—at least for me—the beauty and elegance of the boats are an essential part of the sport's appeal. Twickenham has a fairly large collection of boats: skulls (for one oarsmen), pairs, fours and eights (all self-explanatory).

Although the club has recently invested in some of the smart new carbon fibre boats most of the boats are traditional wooden construction carbon fibre is more rigid than wood and so more energy efficient, but they don't last as long and as a consequence, only the richest clubs can afford to keep replacing them. Then there are the tubs—sturdy clinker-built boats in which novices get their first on-the-water experience.

When you see a racing boat close up you appreciate how difficult the whole affair is—fragile and keels less they can be easily capsized by an unskilled oarsman.

But even before a trip in a tub comes the tank where novices are trained and more advanced rowers are fine-tuned. The tank is a bit like a small swimming pool; its function is to act as an artificial river.

Alongside the tank a sliding seat similar to that in a racing boat is fitted as is a gated outrigger which the oar fits into. So one effectively sits and rows without going anywhere.

I was surprised when Radgick handed me the oar—or blade as it is properly called. It is of course meant to be grasped with both hands and as a result is menacingly big—it's rather like gripping a flag pole. Then the ordeal of learning the stroke begins—not an easy or pleasant matter.

"The stroke is a continuous motion with no beginning or end," Radgick said and proceeded to demonstrate to an uncomprehending me just how to go through the motions. Then it was my turn. Rowing is one of the best ways to achieve total body condition but until you have achieved it you discover some quite astonishing new pains as legs, back and shoulders are conformed into hitherto unnecessary positions.

The blade is brought close up to the chest then pushed down with a rolling motion while extending the legs. Then it is lifted and pulled back as the legs are being contracted and somehow you're back to where you started only to be ready to start again.

After four or five most clumsily-executed strokes I began to understand the whole malicious nature of gaily glory. I also began to understand more of the skill of rowing—absolute precision and regularity in the stroke or else disaster for the crew. It is perhaps the most demanding of all team sports. And solo rowing—sculling—is for the very experienced only.

After one or two more hours in the tank learning the basic

stroke I would be taken out in a tub to get some river experience: then as soon as a space was available I'd be fitted into a novice crew. The structure of the sport ensures that people always row with and compete against those of similar skills, so the thrill of competition is there for even the most lowly novice.

Those looking for less physical punishment might consider being a coxswain, though the coxswain's position is fraught with danger. As Radgick cautioned: "An eight is 60 ft long and 30 ft wide and it doesn't have any brakes."

If you want good strenuous exercise and a year-round outdoor sport which rewards discipline with success and camaraderie and which you can pursue through your active life, then rowing may be the sport for you. I prefer less competition and more individuality, but next year at Henley I shall watch the races with more interest and understanding.

### Details

ROWING IS more venerable as locomotion than sport. The first boat race in Britain was staged in 1715 when the Augustan comedian Thomas Doggett awarded the prize of a coat and silver badge to the fastest waterman on the Thames. Doggett's Coat and Badge race is still held each year.

School and college boat racing began in the early nineteenth century; in 1829 Westminster rowed against Eton and Oxford rowed against Cambridge.

The Henley Royal Regatta, the world's most famous rowing event, has been held since 1839. But rowing is not only a public school and university sport, or indeed a Thames Valley one. Oarsmen and women come from all walks of life and from all over the country. All the great tidal rivers have their boat clubs and rowing is becoming popular on lakes and reservoirs.

More women are taking up rowing—there has been a great increase in the number of women crews over the last five years.

The governing body of the sport in Britain is the Amateur Rowing Association (6 Lower Mall, London W6, tel: 01-748 3352) who will be pleased to give the name of your local rowing club. Local clubs are happy to welcome and instruct beginners.

As the clubs own the boats and blades, there is little essential equipment for the participants to buy. Club subscriptions are surprisingly modest and rowing must rank as one of the "best value" sports.

Lloyd Grossman

## The very fabric of our society

VIYELLA IS part of the great British tradition, a fabric now as rooted in our history and our culture as the Changing of the Guard and a pint of bitter. It is as beloved by the haute couture designer as by the humble supplier of wares to the department stores.

Everywhere people are beguiled by the fabric's charm, its practicality, its air of honesty and durability. It is a true, blue-chip brand name—but in recent years it seems to have lost its way a little.

The fabric itself has always been incomparable but last year I found Viyella's own collection of clothing dull and pedestrian. "If it doesn't seem impertinent of me to say so," I wrote, "I think Viyella are best to leave the clothes-making to others—or get some better designers."

Viyella proceeded to do just that. Not only did they bring in some designers sympathetic to the fabric and to the need to move forward but they embarked on an ambitious programme of "claiming back its birthright," as the new chief executive, Michael Harvey, put it.

The clothing has now made

great strides. Not all of it is wonderful and there are still signs that the delicate balancing act of evolving a modern image with a traditional base hasn't quite been mastered. But there are some lovely Harris Tweed country suits with fashionably long skirts, devoid of the primness that spoiled the earlier designs.

However, clothes are just the tip of the iceberg. What they are embarking upon is nothing more nor less than a complete Viyella life-style—gentle, rural, based on natural materials and to be extended into almost every aspect of the Viyella fan's life.

Viyella shops—in Brook Street, London, in Guildford, Edinburgh and Nottingham—already convey what the new company style is all about. Children's wear, the archetypal Viyella product, which had not been made for four years—has now been reintroduced and you can once again find the hand-smocked dresses, those crisply-collared numbers that bring back images of nursery teas and crumpets before the fire.

There are fine pure cotton sheets and duvet covers in



A symphony in Viyella... part of the nightwear and bedtime collections.

white or cream, plain or lace-trimmed which not only are infinitely desirable for oneself but also would make splendid presents. There are scented drawer liners and innumerable bunches of dried flowers.

There are old-fashioned men's shirts and newly-fashionable ones with combinations of

different fabrics to bring them bang up to date. Nobody quite knows where it will all end. As Michael Harvey puts it: "Viyella is part of the social fabric of this country and as long as we do things consistent with its value we can market almost anything."

Lucia van der Post

### Design

## Making it easier for the needy

ABOUT 18,000 people a week are visiting the Design Centre in London's Hackney district to see an exhibition with a difference. It is "Design for Need" and breaks away from the glitter and chrome that is often on show at the centre, and focuses on the challenge of designing for the Third World.

It illustrates how one organisation, the Intermediate Technology Development Group (ITDG), is providing design solutions for tough problems in developing countries.

ITDG was founded in May 1965 by Dr Fritz Schumacher, a National Coal Board economist, who believed that much of the technology exported to the developing world was too costly and labour-saving to be appropriate.

With the concept of "small is beautiful" he launched ITDG to put the idea of the small-scale and the appropriate into practice and to design the technologies that he believed were needed.

Dr Schumacher, who died in 1977, aimed to help people in developing countries work themselves out of poverty by providing them with more suitable technology. "Find out what people are doing," he said, "and help them to do it better."

Mr Keith Grant, director of the Design Centre, who knew Dr Schumacher personally, thinks it appropriate to hold an exhibition to coincide with the 20th anniversary of the launch of his ideas.

Design for Need traces the development of the technology development group and charts changing attitudes to inter-



The 26 ft kit boat designed for village fishermen in India.

mediate technology—once dismissed as rather weird, and now a concept with wide acceptance among governments and development organisations.

The exhibition features 20 low-cost designs and centres on a 26-ft-long kit boat, designed for village fishermen in south India by Mr Edwin Gifford, a British boat designer.

Finding fibreglass for boat construction too expensive, the designers opted for plywood as the chief raw material, and used a "stitch and glue" building technique favoured by boat enthusiasts in Europe to construct the popular Mirror dinghy.

A range of simple manufacturing equipment for building materials using local clays is attracting attention. It points up the need of millions for better housing in the Third World where imported and mass-produced building materials have proved largely irrelevant.

Intermediate Technology Workshops in the West Midlands designed the equipment in the belief that people have the ability and resources to build their own homes, provided

the technology is available. ITDG's expertise surfaces in surprising ways. A West German charity asked the group to develop designs for low-cost lens processing equipment for Third World village workshops that have no electricity.

On show is an edger for shaping the lens and a surfacer for grinding and polishing. The ITDG equipment enables them to be made for around £3 a pair, compared with £18 in urban centres, helping bring spectacles within reach of many more in the Third World.

More efficient stoves, low-cost printing techniques, small-scale hydro electric designs, solar kilns for drying timber and load carrying tricycles are encouraging unusual antics by some visitors to the centre.

"We notice that some visitors are spending a lot of time on their hands and knees looking under the tables and other hardware to weigh it all up," an official said.

Many designs have come from the engineering departments of universities, polytechnics and technical colleges, which in turn have normally maintained con-

tact with counterparts in developing countries.

The Design Centre says: "The products on show may in appearance be very different from the aesthetically conscious products that we now take for granted in the industrialised world. But they often represent a tougher design challenge—be of use, and not cause additional problems, the design must be appropriate for the people who need it."

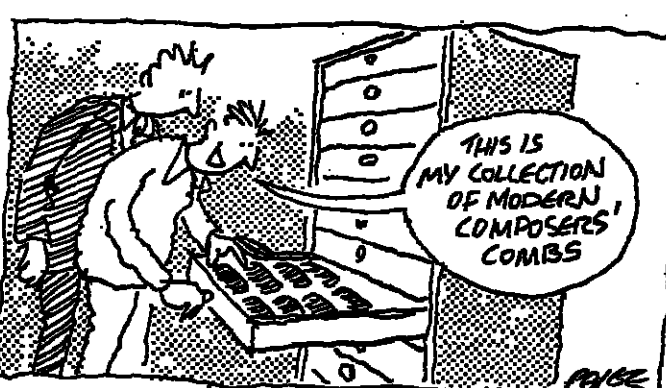
While the exhibition may be a departure from normal, the Design Centre says it is delighted with the interest it has aroused. For its part, ITDG says "public reaction has been tremendous."

Design for Need continues at the Design Centre, 28, The Bagmarket, London, SW1, until October 26 (open Monday-Tuesday 10 am-6 pm; Wednesday-Saturday 10 am-8 pm; Sunday 1-6 pm) and transfers to the Scottish Design Centre, 72, Vincent Street, Glasgow, from November 18 until Christmas.

John Madeley

### Collecting

## Even maestros have mundane moments



In his published correspondence, Stravinsky minimises the extent of Evans' involvement; but these newly revealed letters indicate clearly that Evans had corresponded early with him about the possibility of writing for piano, performance, and later to attract Hindemith, Howells, Gossens and others, because it allowed the composer to surmount the limitations of the 10 fingers and limited span of the human hands.

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Evans clearly had a somewhat proprietary sense about the composers whose work he championed and a letter from a folk music collector, George Becham, brings to light an un-

settled squabble over which of the two was best qualified to write an article on Debussy for *The Ladies' Field*. The composer himself undoubtedly respected Evans: in one of the most important letters (estimate £2,000-£3,000), Debussy sets out the musical ideology of *Pelleas et Melisande*, explaining how he has tried to break with the pomp of Wagnerianism. He complains bitterly of the incomprehension of a public who, used to being moved by "methods as false as they are grandiloquent, have failed to understand that all that was asked from them was a little good will."

Other musicians also talk about their work, and reveal the striking extent of international exchange in this period. Glazunov thanks Evans for the score of *Enigma Variations*, which he intends to pass on to the orchestra of the Russian Imperial Society. Gustav Holst and Manuel de Falla swap the folk music they have collected respectively in Britain and Spain.

Janet Marsh

## Plan for the year ahead

MY FAVOURITE desk diary has arrived—the one published by the Royal Horticultural Society for 1986, filled with delightful reproductions of flower paintings by Redouté.

Do not imagine they are all roses. Only three are; one a mystery picture showing *Rosa centifolia* with two extraordinary anemone centred varieties, the like of which I have never seen. My favourite plate is called "Geranium Variegate" and shows two pelargoniums that are different from anything I know.

There are 54 plates in all, one for each week in the diary with an extra one of iris finchata at the end. It all costs £7.95 and you will never throw it away.

This seems an appropriate moment to survey work in the garden for the next 12 months, October being a very convenient time to start since it sees the beginning of the autumn-winter planting season. October itself is ideal for evergreens and also for a great many bulbs including tulips, hyacinths and also lilies if you can find anyone offering them so early.

In November, planting of trees and shrubs gets into full swing; that includes roses as well as fruit trees and bushes. This traditional planting season is for plants lifted from the open ground; but even container-grown plants move more safely and with less check in November than at almost any time.

December is mainly a repetition of November but depends

on the state of the soil, which might be too wet or frozen for planting. It is the time to get on with winter pruning but there is no need to fuss if the weather is bad as, with the exception of vines under glass, pruning can continue until February. This is a good month to dig winter ground and work in manure or compost, either garden or spent mushroom.

All December work can continue in January but vine pruning under glass should be completed by the middle of the month. It is also a good time to spray fruit trees with tar oil winter wash, but not after the buds begin to swell. Using a well warmed greenhouse or propagator you can sow some seeds of plants that grow slowly at first, notably pelargoniums, begonias and scarlet salvia.

In February, seeds of all the rest of the half-hardy plants can be sown, but not too early in the month if facilities for growing on plants are limited. It is the time to sow tomatoes and cucumbers for greenhouse cropping. Winter planting and pruning should be completed by the end of the month.

In March, everything depends on the weather. If it is dry and mild, many flower and vegetable seeds can be sown outdoors; but if wet and cold, it is better to wait until April. It is time to plant shallots and potatoes and many herbaceous perennials can be lifted, divided and replanted; again, though, do not hurry if the weather is bad. Lawns will need a first cut and a dusting of fertiliser. April is so busy that I never

manage to complete everything that should be done. It is the peak season for sowing vegetables and summer flowers out of doors and also is a good month to sow grass seed as well as taking many cuttings, including chrysanthemums and dahlias. All seedlings from winter sowing in warmth will need more space, either by pricking out or potting singly. *Glaucous* corms can be planted; also montbretias, crocuses and onion sets. Lawns need more frequent mowing and lawn weeds must be killed with selective herbicides.

By May, all the semi-tender plants that have been raised under glass from seed or cuttings must be acclimatised gradually to outdoor conditions so they can be planted in the open at the end of the month or early in June. Pests and diseases will be appearing and should be dealt with before they get a firm hold.

In June, it is safe to plant out all the summer bedding as well as tender vegetables such as tomatoes, cucumbers, vegetable marrow and sweet corn. Wallflowers, forget-me-nots and other spring flowers should be dug up and thrown away; but seed of these and other biennials should be sown to give plants to flower the following spring. This is a peak month of growth for many plants, including fruit trees and turf, and they may need some extra feeding. It is also a good time to prune spring flowering shrubs and climbers.

July is the month to start summer pruning fruit trees, public act this would be like turning a church into a mosque. The objects are the strength of the exhibition. The display is lively and didactic—at times overly so—and explained in lingo verging on advertisers' trendy. How much those ancient elites would agree with its colour supplement attitudes is not certain. They would follow the materialist emphasis on luxuries but they might also say it has missed some of them. That all we can see of them is the material expression of their behaviour does not mean we should interpret everything in terms of their materialist desire to govern and impress others and adorn themselves. They were dependent on gods in ways we cannot know, quite likely there was a religious rationale for the wealth and beauty on show which in fact transcends the whole theme of the exhibition.

### Gardening



Faded flowers should be removed from roses. Spring flowering bulbs, particularly tulips and hyacinths, can be lifted, cleaned and stored until the autumn. Cuttings of many shrubs will root in a propagator or within the enclosure of a polythene bag. It is the best month for budding rose rootstocks.

By August, onions and shallots are ready for harvesting and potatoes should either be dug and stored or be sprayed with a fungicide to protect them from disease. Raspberries should be pruned as soon as they have finished cropping. Rooted strawberry runners can be planted; also all autumn flowering bulbs such as colchicums and autumn crocuses.

September sees the full start of the spring bulb planting season although it is mainly daffodils, crocuses, scillas, muscari and chionodoxa that are at all urgent. The rest can wait until October.

Arthur Hellyer

### Exhibitions

## Power with glory

hois of power) as a piece of conspicuous consumption while you were alive, rather than having them put with you, as elsewhere, in death.

There was also a progression from the collective monument (the stone circle or great megalithic tomb) to the individual, (the round barrow with few burials or even just one). The collective stage is shown by a computer simulation of building and rebuilding Stonehenge.

The wealth of some during the individual stage is staggering—maybe not so much as those buried in the Shaft Graves of Mycenae, but clearly similar. And, though we cannot prove any direct links, the Mycenaeans did have amber ornaments of

the Wessex culture, while the near-parallel to an amber disc found in gold at Knossos came from Wiltshire in Wiltshire (in the exhibition). Very thin polished axes in jadeite, elegant and of no practical purpose, are another sign of the wealth.

Control of the copper and tin supplies needed for a Bronze Age, and the skill in gold that came with it, is a probable reason for such wealth. The new materials and products were the prerequisite of the few who showed their opinions of their predecessors by such rituals as burying a halibone (a new type of artefact) in the old stone circle at Brimond of Crichtie, Aberdeenshire. As a

public act this would be like turning a church into a mosque.

The objects are the strength of the exhibition. The display is lively and didactic—at times overly so—and explained in lingo verging on advertisers' trendy. How much those ancient elites would agree with its colour supplement attitudes is not certain. They would follow the materialist emphasis on luxuries but they might also say it has missed some of them. That all we can see of them is the material expression of their behaviour does not mean we should interpret everything in terms of their materialist desire to govern and impress others and adorn themselves. They were dependent on gods in ways we cannot know, quite likely there was a religious rationale for the wealth and beauty on show which in fact transcends the whole theme of the exhibition.

Gerald Cadogan



## DIVERSIONS

Lucia van der Post previews a unique fair

## Fine art of crafts

THE FIRST Chelsea Crafts Fair was born five years ago when Lady Philippa Fowell had the bright idea of providing a marketplace for the work of craftspeople from all over the country.

Like almost everybody else with an interest in the craft world she knew that stunning work was being done but there seemed no co-ordinated attempt to bring together the work with the people who might buy it.

Most of the craftsmen and women had to tout their wares around the galleries and hope that one might like them enough to take some on spec—actually to persuade a gallery to buy a piece outright was almost unheard of.

That first Crafts Fair was an outstanding success. Those who wanted to buy could not only see a wide range of different work but they could meet and talk to the creators and so commission a special piece as well as buy.

FT readers quickly became faithful followers of the fair, many of them using it as a chance to do some early Christmas shopping. It does, after all, give a unique chance to buy something individual and one-

off, a change from the mass-produced wares in the department stores.

The event, in Chelsea Old Town Hall, has grown each year and this year's fair, which opens

next Wednesday, will be bigger and better than ever. The Crafts Council has been so impressed with the marketplace it offers that it is subsidising the appearance of a group of young and relatively unknown craftsmen and women from the regions.

Also for the first time, several of the most reputable Crafts Galleries (The British Crafts Centre, the Crafts shop at the

V & A, Aspects, Anatol Orient and the Kingsgate Workshops) have decided that this is a fair they cannot afford to miss. From the point of view of the fair, this is exciting because it gives

a better mix of craftwork—besides the new and innovative work there will also now be work from more established and better-known craftsmen, all of which must increase the fair's prestige.

Anybody interested in creative, innovative work should make a point of going along. Some of the work is a little raw, much of it is highly polished; the sheer wealth of ideas and creativity is stunning. It is living proof, if you like, that this is the area where some of Britain's richest creative gifts are currently employed.

Even if you have no particular interest in the crafts as such, it is a wonderful place to hunt for presents of all sorts.

You will be able to buy anything from a beautifully-made ceramic vase to the finest jewellery (watch out for the work of Clare Murray and Mathew Warwick). There will be glass and some exquisitely hand-carved wooden toys (in particular look



out for the work of David Swift).

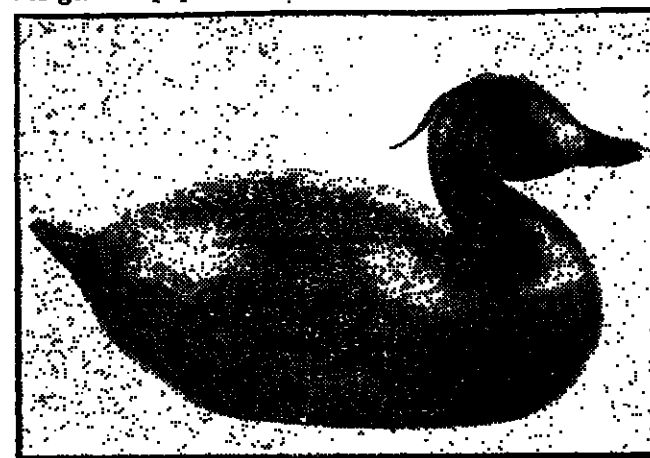
There will be leatherwork and weaving, tapestry and knitted garments, glass and silken robes, a la Fortuny.

And another very good reason for going is that it is all a lot of fun.

Chelsea Crafts Fair, October 16-22, Old Town Hall, King's Road, London, SW3. Open 10 am-6 pm (Saturday 10 am-5 pm) and Tuesday 10 am-6 pm. Admission £2.

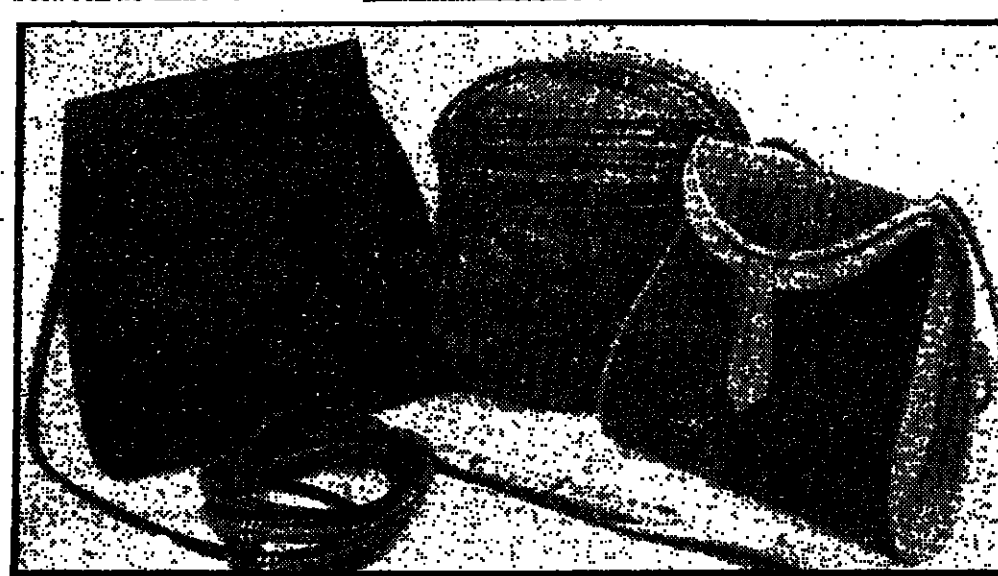
Above: Swan Lake, a multi-coloured painted wood construction built by David Swift, will go on sale at the Chelsea Crafts Fair for £310. Swift, a graduate of Edinburgh College of Art, lives and works at Gunthorpe Hall, north of Norwich.

Below: this large tufted duck carved and painted by Guy Taplin is characteristic of the artist's work. Taplin, a former meat porter, got his inspiration when he worked in Regent's Park. His duck and swan designs are popular with collectors.

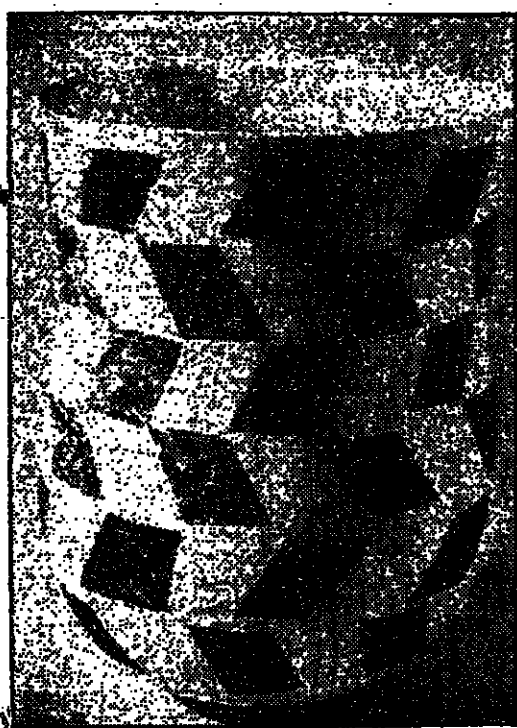


Left: hand-pleated silk 'Barbara' dress features beaded shoulders and trailing lengths of fabric and cord to create an 'Eastern' ambience.

Below: a trio of classically simple, unfussy handbags priced in the range of £38-£55 with belts priced between £8 and £28.



Above: this hand-crafted pot, designed and made by Felicity Ayfield, of Twerton, Bath is surmounted by a bold, geometric motif.



At work on this year's vintage in the Gironde

## Bordeaux leaves it late

The 1985 vintage took its time but now looks as if it could be one to consider seriously, says Wine Correspondent Edmund Penning-Roswell.

ALTHOUGH, fortunately, 1985 will not yet be another Vintage of the Century in Bordeaux, it already looks very much like one that no serious claret drinker can pass over. And, as often happens in the Gironde, the change for the better in the prospects took place relatively late in the six-month growing season.

The winter there was as severe as elsewhere in western Europe and the spring was wet and miserable; however, the vine flowering took place on time in mid-June, whose deficit in rain was made up in July, which was also fine. The main feature of August was not the great heat that often occurs, but a lack of rain almost without parallel.

One historically-minded chateau proprietor claimed that to find a similar August, you had to go back to 1906. Compared with a norm over 30 years of 60mm, the rainfall throughout the region averaged 25.5mm.

Even hotter, drier weather followed in September when there was just 5mm of rain against an average of 75mm. The total of the two vital pre-vintage months of 30.5mm was even less than the 36mm of the famous 1961, and much less than 1982's 100mm.

afternoon temperatures ran between 25C and 32C. In consequence, the grapes were coming in from the vineyards at extremely high temperatures and had to be cooled immediately to avoid their going "over the top" and turning vinegary.

The effect of the drought has been to thicken the skins and reduce the yield of juice. In some parts, the grapes showed signs of drying up and the picking had to be brought forward—not too great a problem for those employing machine harvesters, of which there are now 1,400 in the department.

The wines certainly will have a tannic tendency, but nowadays this can be reduced by curtailing the period that the must remains in the vats on the skins. The wines should turn out deep in colour, rich and concentrated in flavour, with acidity perhaps a little lower than average.

The dry white Bordeaux should be excellent; but in the absence of the humidity that results in the "noble rot," this will not be a successful year for Sauternes and the other sweet wine districts.

Serious frost damage, mostly in the outer areas, and hail that particularly hit Ludon, Macau and part of the Graves, have led to suggestions that this year's red wine crop will be small; but this is not so. The official forecast is for 2.7m hl compared with 1.9m hl last year.

If confirmed, then only the exceptionally large 1979, 1982 and 1983 red Bordeaux vintages, all of which cleared the 3m hl mark comfortably, would be bigger since World War II, although this is influenced slightly by the continued turnover from white to red wine production. This also has contributed to making the 0.3m hl of white wines the smallest

vintage since 1981. The favourite Bordelais game of trying to relate the latest vintage to its predecessors already has started. The famous "dry" years of 1929, 1945 and 1961 are quoted; but conditions were quite different, not least in 1961 when a tiny crop was produced with hardly any Merlot grape, which is prolific this year after 1984's disastrous failure. A nearer comparison might be 1975, with an infusion of 1982. But, in fact, no Bordeaux vintage ever is really like any other.

There is not likely to be any firm indication of prices for these 1985 clarets for another six months—when the wines have undergone their first winter and the final blendings of the various grape varieties have been made—but it is certain they will not be cheaper than the 1984s, many of which have been considered overpriced relative to the clearly superior 1983s.

Unfortunately, many of the owners of the top 250 chateaux live in a price world of their own, owing partly to the en primeur buying pattern that exists in Bordeaux. Most can assert with pride that they sold all they wanted of their 1984 crop within a day or two—even an hour or two—of announcing an opening price probably higher than for their 1983s. But this was because defaulting negociants would not be "on the list" for the now-very-promising 1985s.

The other vital consideration affecting prices is the monsoon factor. Each estate owner will make every effort to avoid being out-priced by his neighbour. When, for example, Pichon-Lalande raised the opening price for its 1984 from FF 85 a bottle to FF 100 (the 1983 had opened at FF 67), it was quite clear that their neighbours at Léoville-Las-Cases and Ducru-Beaucailou

would not hold their prices at FF 90 (FF 70 for the 1982). In fact, both came out at FF 110.

Other growers now somewhat backward in the price race—such as Lynch-Bages, La Lagune and Gruaud-Larose—took the opportunity to "catch up" with their 1984s and, perhaps, the best year to move up fast. Yet, largely for the reason given above, most of them sold.

However, before a vintage can be considered sold, the wine has to pass two more vital tests. The negociants must sell their purchases to their trade customers all over the world, and the latter must convince their consumer clients that it is a vintage worth laying down promptly. The 1984 vintage has not proved all that popular; so the better the prospects of 1985 appear, the greater the task of selling the earlier year.

So, concerned over this are the more enlightened sections of the Bordeaux trade that a high-level delegation of proprietors is to visit London and New York in December to give representative tastings of the 1984 clarets to the trade and Press.

In fact, these 1984s have been undervalued; and in my recent visit I tasted at the chateaux a large number of attractive, full-coloured fruity wines: some rather hard at the end and short on the taste, but that is a matter of careful selection. With much more to them than the 1980s that came into belated favour, they will provide very agreeable drinking before the much-more-esteemed 1982s and 1983s should be uncorked and decanted.

Meanwhile, as the U.S. is the decisive market for fine claret, the level of the dollar/franc exchange next spring will have a marked effect on the opening 1985 prices. And much, of course, will depend on the reputation that the 1985 clarets acquire in the coming months. If they are judged to be "investment wines," they will find a market in quarters where the aim is profit rather than consumption and where price, therefore, is relatively less important.

In any case, the first-growths, which generally held their price of FF 170 a bottle for three years (except Latour, which added a further FF 10 for the 1984), almost certainly will increase their opening prices to at least FF 200 a bottle; and higher figures have been suggested.

Above all, however, these depend on the American market to sell their total average output of 150,000 cases. If their prices rise and are followed by other growers with a comfortable-sized crop in their cellars, the latter may find problems in selling. But that will not remove claret from the buying list; for one of Bordeaux's greatest assets is the wide range of its wines, many of them underpriced as well as undervalued.

## Cookery

## A shop where they make a meal of it

Philippa Davenport visits a new London food shop where many delicacies are created on the premises

LONDON'S newest food shop, Finns of Chelsea Green, is a little different from most. What makes it unusual is that so many of the good things it sells are its own produce.

Most of its smoked and cured fish, poultry and pork products come from the Irish estate of one of the shop's owners, and these foods are supplemented by freshly-cooked dishes prepared in the kitchen at the back of the shop.

The "menu" will of course change daily but it should always include some soups, pates, marinades, salads, hot main course dishes and desserts. In other words, you can buy from Finns the wherewithal for a full-scale meal, so it could be a useful address to remember for days when you feel unwilling to cook and are not inclined to eat out in a restaurant.

Finns cure their own bacon and hams and smoke their own salmon, mackerel, luscious fat kippers, goose, chicken and turkey. They make their own sausages, and hand-raise pork and game pies.

They sell their own range of rich fish soups (85p per 1 litre), and pates, and lazy foods like mussels ready stuffed with garlic butter (£1.80 a dozen), miniature smoked salmon fishcakes (45p each) and brochettes of mussels and bacon (75p each) ready to pop under the grill.

Meaty main course dishes to eat hot include spiced lamb with aubergines (£3.80 to serve four), individual steak and kidney puddings (65p), and pheasant with pate and mushrooms in port and cream sauce (£4.40 to serve four).

There are lighter dishes, including lovely sounding marinades—gravadlax, carpaccio and Japanese-inspired ideas such as brill steeped in hazelnut oil with slices of pickled lemon and lime (from £2.20 to £2.50 per 1-lb portion).

There are pasta sauces, sweet and savoury roulades, and cheeses (bought in) which include rarely-seen soft Italian varieties such as Robiola and Fiorone. Nice little extras include bunches of fresh herbs in season, home-made wholegrain honey mustard and garlic

apple jelly.

The foods are well turned out in terms of packaging. In fact some of the packaging is good enough to grace a dinner party table. For example, individual portions of smoked fish pate can be bought in tiny ceramic pots, which give the impression that the pate is yours rather than bought.

These ceramic dishes make the pate seem expensive initially (85p per portion) but the pots are refillable at the shop for 40p each.

Of all Finns' products, their Dublin Bay prawns excited me most. The prawns come fresh direct from the Irish estate, either split and stuffed with garlic butter, or plain.

Here is my recipe for the plain ones (which cost £3.20 per pound), a speedy and exceedingly greedy feast for two people:



## DUBLIN BAY SALAD

Pull the heads off 2 lb whole raw Dublin Bay prawns. Split the tails along the soft underside, but do not shell them.

Grind pepper and salt over them, paint generously with best olive oil, and set aside for a few minutes while you put a loaf of bread to warm in the oven and lay a salad of lettuce and herbs (plenty of parsley and chives, and some mint or basil or dill) on a shallow serving dish.

Grill the prawns briefly, turning them as necessary and basting them with another good slop of fruity olive oil. As soon as cooked, tip the prawns on to the salad and pour the pan juices over them.

Serve straight away with wedges of lemon and hot crusty bread.

Finns, 4 Elystan Street, Chelsea Green, SW3 (01-225 0733). Open Monday-Friday: 8 am-6 pm, Saturday: 8 am-1 pm.

The Financial Times is proposing to publish a survey on

## CHINA

on Monday 9th December 1985

After seven years of Deng Xiaoping, has China become a more relevant trading partner? Peking now has diplomatic relations with almost all countries of the world, membership of the UN, the World Bank, IMF and other institutions. It welcomes foreign investment, technology and trade. How far has this "Open Door" policy genuinely taken hold? The survey will look at Chinese policies and institutions to see whether the open door has come to stay. Among the subjects to be covered will be the following:

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## BOOKS

## Mrs Rodd in pursuit of love

NANCY MITFORD  
by Selina Hastings. Hamish  
Hamilton £12.50, 274 pages

NANCY MITFORD died in 1973, after a long and terrible illness. The following year, Selina Hastings, a lifelong friend, wrote a delightful and affectionate memoir, but even Sir Harold, with his unfailing discretion and loyalty, felt frustrated that consideration for friends, and his publisher's explicit wishes, prevented him from telling the whole story. Now, a decade later, and with family blessing, Selina Hastings reveals the full history of Nancy's great love for Gaston Palewski, romance of her life, hero of her novels, and for more than 30 years the source of joy and sorrow. The Colonel, as Nancy always called him, gave the author Nancy's letters, and they are of a intimacy that not even her sisters suspected: her pursuit of love indeed had a dusty answer.

Lady Selina has written a most sympathetic book about the private life of a very private person, Mrs Rodd (as she preferred to be known) who lived quietly in France. The subject of Sir Harold's book is Mrs Nancy Mitford, witty friend, sought-after guest, suc-

cessful novelist. Mitford fans require both volumes.

When Nancy Mitford contemplated writing her own memoirs, they were going to begin in the year 1945. She thought that enough had been written about the Mitford childhood, and indeed Muriel and Fanny have almost become characters in an idyllic Edwardian soap opera. Selina Hastings skilfully avoids a paraphrase, and shows that the parents encouraged their talented children more than hitherto said: Lord Redesdale was a Francophile, not a chauvinist, and he sent 12-year-old Nancy a little poem ending "I have no desire to quench, My child's desire for learning French." Presumably, too, Nancy intended to say little about her early attachments, for her twenties she had a long and despairing engagement to Hamish St Clair Erskine; he was irrepressibly naughty and rather hopeless, and he aroused the strong maternal instincts which Nancy felt too much for the men she loved. They enjoyed gaily charades and the paraphernalia of fancy dress balls, but Hamish was not made for marriage, and brutally broke off the engagement.

Absolutely over the board, Nancy married the glamorous

Peter Rodd. He was a golden boy, engagingly handsome, but so feckless and unfaithful that the marriage, in spite of Nancy's every effort, gradually fizzled out. Rodd was the model for Evelyn Waugh's Basil Seal, and he was an Oxford hero of my youth: every summer he would advertise for Balliol undergraduates (for he had spent one brief year at that college) to crew his Mediterranean yacht, and very proud were those who had "Frodd" stamped on their passports.

In 1942 Nancy's life changed completely, and forever when she met the Colonel, then in London as the trusted aide of General de Gaulle:

Gaston Palewski [writes Selina Hastings] was possessed of all the qualities that to an English eye epitomise the sophisticated Frenchman; he was charming, he was amusing, he was a great lover of the arts and an incorrigible womaniser.

In a cliché, he swept Nancy off her feet. For the first time she knew the ecstasy and the domination of total love. "I will now confess to you that you inspired me with feelings which were not only unknown to me before I saw you but of which I had not guessed the existence," says the

Princesse de Clèves, in Nancy's own translation of her favourite novel. Their romance was conducted with passion and discretion in Little Venice, Eaton Terrace, but not at the Connaught Hotel, where they were sent downstairs by a stern receptionist. "Connaught" became between them the equivalent of "Swann and Odette's catleas."

War once over, Nancy went to live in Paris, long the city of her dreams. "One can be more cheerful here than anywhere else in the world." She also longed to be with the Colonel, and found a flat in the rue Monsieur five minutes' walk from his. But though he was the core of Nancy's life, she had been to him but a spring-time fancy. He was very fond of her always, and a loyal friend, but he made it clear that their liaison was not to be acknowledged in public, and marriage was out of the question. Nancy submitted to many humiliations. She was not allowed to "tutoyer" the Colonel, nor call him by his Christian name in public. If invited to the same party, he insisted that they arrive separately. When she visited his flat, she was treated like a soubrette in a Feydeau farce, pushed behind screens or into cupboards if another guest

arrived. Her letters are pathetic: "Darling Colonel, I know one's not allowed to say it, but I love you." "Your darling voice and your darling handwriting with- in an hour of each other is almost too much happiness." "Dear darling Colonel, I think of you the whole time." "I wish I were sitting on your door like a faithful dog waiting for you to wake up you dear darling Colonel." It was not a willow-cabin at the gate that Nancy sought, it was a dog-kennel; it is pitiful to read her self-abasement. Her letters are as heart-rending as Charlotte Brontë's pleas to Monsieur Heger, but Nancy's are sadder still, for she was a *femme du monde*.

I was fortunate enough to meet Nancy Mitford several times in Paris. One's first impression was her youthfulness; her slender figure and rapid walk were those of a young woman, and in appearance she much resembled the William Acton drawing on the cover of this book. She was elegant and *soignée*. Her character was reserved, her conversation circumspect. "It is hard to imagine anyone more witty or urbane, in particular she had a special turn of phrase and a gift for selecting the apt word which was all her own. It was enchanting to listen to her, for she had developed almost a special language... it became the natural way of speaking in the families of her brothers and sisters..." St

Simon's account of Mme de Montespan exactly described Nancy.

Once she suddenly said "Let's go and see Gaston." At that time the Colonel was a minister, and he lived in a sumptuous flat like an enfilade of ball-rooms, in the Palais Royale. She was most friendly, welcoming and genial. But in his presence Nancy became another person; the woman of the world turned into a schoolgirl; her voice accelerated, and to illustrate her stories she used the jerking gestures of a mario-nette, as she desperately tried to amuse.

The years did not diminish her feelings; sometimes unrequited love dies as abruptly as a fused light-bulb, but to Nancy it was a lamp of inspiration; all her best and happiest books are influenced by the Colonel. The novels are as sparkling and fresh as the day they were written, and glow as if they were written in the sun. She found happy escape in her books on the 18th century. "My greatest pleasure is reading to gather up material for a biography."

In 1966 Nancy bought a house at Versailles, rather tucked away, and overlooking a garage. However, she made the house pretty with antique furniture and Helleu drawings, and saw the large unkempt garden as if it were filled with a thousand flower-trimmed Edwardian hats. Soon after she moved, Nancy was attacked by the agonisingly



Nancy Mitford: a portrait by Cecil Beaton recently discovered in the Sotheby's archive.

painful Hodgkins Disease, and for four years fought a battle with pain: "I love life so much, but not this sort." Nancy Mitford's last years are most movingly described by the author. She has written a most perceptive biography: her

research has been considerable but is never obtrusive, and she has, wisely, made her book rather too short than fashionably over-long.

Jane Abdy

## Wagging tongue of warriors

THE OXFORD BOOK OF  
MILITARY ANECDOTES  
Edited by Max Hastings. Oxford  
£5.50, 514 pages

"WE TALKED of war, Johnson: 'Every man thinks meanly of himself for not having been a soldier, or not having been at sea.' Boswell: 'Lord Mansfield does not.' Johnson: 'Sir, if Lord Mansfield were in a company of General Officers and Admirals who have been in service, he would shrink; he'd wish to creep under the table.'"

Whether this book will cast its spell over those who have not endured war and military service I cannot say. But I am sure of one thing: for those that like this sort of book, this is decidedly the sort of book they'll like. It contains, in all, 354 entries, beginning with "And the Lord sent unto Joshua" (at Jericho) and ending with the surrender of the Argies at Port Stanley. Between (and in chronological order) come e.g. David and Goliath, Lars Forssena and Horatius (by Livy, not Macaulay), Leonidas at Thermopylae, the geese on the Capitol, a good deal of Alexander, Hannibal crossing the Alps, Julius Caesar landing in Britain, Attila the Hun, Crecy, Azincourt, the fall of Constantinople, Cromwell, Wolfe, Frederick the Great; and so on, down to the First World War, the Second World War and beyond.

In the first sentence of his Introduction, Mr Hastings anticipates the only possible criticism. "An anthology which seeks to reach out across the vast expanse of military history will discomfit each of its readers by omitting the stories he himself holds most dear." Well, I could, I suppose, instance a few, if I churlishly sat down and put my mind to it, but I'm not going to. There is such a mass of good, honest stuff in the book, and so much that even the most erudite reader is hardly going to have come across before, that the inclusions must outweigh the omissions. Anyway, at 483 pages of text, plus an excellent list of sources and a

good index, the book is surely as long as is practicable. After all, you've got to be able to hold it up in bed.

Although they tend to merge one into another, there are really three kinds of military anecdote. First, there is the deliberate, self-conscious account of the chronicler or historian; secondly, the work of the diarist or reminiscence-writer; and thirdly, the self-contained yarn, funny or otherwise. This last is not found very much until about the turn of the 17th century, though Mr Hastings has laudably succeeded in finding a few earlier ones. However, the 18th century arrives after 100 entries and about two-sevenths of the total pagination, which for my money, and in terms of sheer entertainment and readability, is altogether acceptable.

Mr Hastings's only problem seems to have been that, having set himself to span a period from the earliest times to the present day, he found his subject-matter falling between olden-days attractive but essentially serious stuff, such as Alexander's acquisition of the horse Bucephalus, and the modern-times kind of humorous military anecdote we all enjoy.

Of course, there must have been funny military stories in ancient times, but they have not survived. Limited literacy and the difficulties of reproduction restricted our forefathers' output of narrative; and anyway nothing varies with nationality and time so much as humour. On this Mr Hastings comes clean. "This selection is principally British and American, with occasional forays among foreign armies Searching for Xenophon, Caesar and others, I found surprisingly few passages that possess the quality of whimsy, and stand... well alone." And he adds later: "For the reader disappointed by the paucity of German stories from the two World Wars, I can only say that I found almost nothing to compare with the quality of the English and American material." Can't say I'm surprised, are you?

This is a splendid and totally successful book, strongly recommended both for possession and for Christmas presents. I per-



An 18th-century volunteer cavalryman drawn by Rowlandson

sonally would have liked a longer, more discursive and scholarly introduction, and perhaps there are rather more misprints than there ought to be. But this is to be captious. I cannot really criticise the book, so I will conclude by letting it speak for itself in a few excerpts:

"When, after the Battle of Alexander in 1501, Sir Ralph Abernethy was being carried off mortally wounded, a soldier's blanket was placed under his head to ease it. He felt the relief, and asked what it was. 'Only a soldier's blanket,' was the reply. 'Whose blanket is it?' 'Only one of the men's.' 'I wish to know the name of the man to whom the blanket belongs,' persisted Sir Ralph. A short pause ensued, until the information had been obtained. When the reply was given: 'Duncan Roy's, of the 42nd.' Sir Ralph: 'Then, declared the wounded general, 'see that Duncan Roy gets his blanket this night.' (James Settle).

(Coleridge) "was acting as sentry at the door of the officers' ballroom. Two officers passed, a quinine what they thought was Euripides."

"Excuse me, sir," interrupted Coleridge. "The lines are not

accurately quoted. Besides, they're not from Euripides; they're from the second antistrophe of the Oedipus of Sophocles." (Carpenter).

"One or two" (members of White's) "did not follow the war very closely. General Alexander, fresh from his triumphs in Italy, came into the Club one day in a flannel suit, and was greeted by a contemporary who lived in Ireland. 'Lullio, Alex. I haven't seen or heard of you since the war started. What have you been doing with yourself?' To which Alexander replied: 'I'm still soldiering.' (Lord Ismay).

And for sheer authenticity and plus ça change, my favourite. (Gibraltar is under siege.) "January 2nd, 1728. Here is nothing to do nor any news, all things being dormant and in diversions of drinking, dancing, reveling, whoring, gaming and other innocent debaucheries to pass the time—and really, to speak my own opinion I think and believe that Sodom and Gomorrah were not half so wicked and profane as this worthy city and garrison of Gibraltar." (S.H., an unknown British soldier.)

Purchase and read on.

Richard Adams

## Long Innings

CARRINGTON: A LIFE  
AND A POLICY  
by Patrick Cosgrave. J. M. Dent.  
£10.95, 182 pages

IT IS a good idea to write a book about Lord Carrington. He was the longest serving Conservative minister in the post-war period, lasting from Churchill to Thatcher, and all the time in the Upper House. He is an amusing man who talks like a character out of P. G. Wodehouse, but who is essentially a realist and a Tory pessimist. He presided over the settlement in Rhodesia, now Zimbabwe, which had defied his predecessors, and he finally resigned as Foreign Secretary over the Argentine invasion of the Falklands. He is now Secretary-General of Nato.

He had his ups and downs, of course. It would be very easy to make a strong case against him. It is arguable that he should have resigned over the Crichton Down land affair in the 1950s and over his handling of the Vassal spy case in the early 1960s. Perhaps, too, he gave bad advice in persuading Edward Heath to go for a premature General Election in 1974. Nevertheless, it is his record as an administrator that adds to his interest.

Patrick Cosgrave makes much of the criticism, but very little of the case for the defence. For the most part his book is an attack on the Foreign Office, accompanied by some virulently pro-Israeli views on the Middle

East. There is not very much about Carrington the man. Oddly enough, the attack could have been sharper. Cosgrave records that Carrington was "surprised" to become Foreign Secretary — his long-time ambition when Mrs Thatcher formed her first administration in 1979. It is more accurate to say that he insisted that that was the only Cabinet job he wanted and was given it at once.

But there are also unfairnesses. Carrington's profession of ignorance about economic policy is largely an affectation, for which the author has fallen. He has considerable knowledge of the international business world. He spent time at RTZ, not mentioned here, and after he left the Foreign Office he became chairman of GEC, which is given only one line.

The real reason why he resigned as Foreign Secretary was that the fury of the Conservative 1992 Committee turned on after that famous Saturday morning debate on the Falklands. During the debate, the fury was concentrated on John Nott, the Defence Secretary. But Nott was at least a House of Commons man. Carrington was not, and much of the modern Tory Party did not like it. I continue to think that the Foreign Office came out of the whole Falklands saga relatively well. At least it had advised on the need for a settlement. It was the House of Commons that refused to listen.

Malcolm Rutherford

## Italian high-flier who made it easy

MR PALOMAR  
by Italo Calvino. Translated from the Italian by William Weaver. Secker and Warburg.  
£5.50, 118 pages

SELF-HELP  
by Lorrie Moore. Faber & Faber. £5.95, 163 pages

ANGST  
by Hélène Cixous. Translated from the French by Jo Levy. John Calder. Paperback. £4.95, 219 pages

INSIDE BABEL  
by Snook Wilson. Chatto & Windus. Hardback. £3.95, Paperback. £3.95, 208 pages

RUNNING BACKWARDS  
OVER SAND  
by Stephanie Dowrick. Viking. £3.95, 349 pages

ITALO CALVINO, who died last month, was the world's most readable and intelligent novelist who could also be described as thoroughly modernist. His death was an enormous loss not only to Italian but also to world literature. The universally acknowledged enchantment which he brought to his retelling of old Italian stories, and of such classics as *Orlando Furioso*, was quite as apparent in the mass of his extraordinarily innovative, complex and unquestionably metaphysical original fiction. This was because he understood that however many new beginnings have to be made in literature, readers would inevitably reject work which lacked a story. An author may mock at the story element, or he may wrap it up — but,

paradoxically or not, it seems as though it has to be there.

This short novel about Mr Palomar, a character standing to Calvino in much the same relation as Teste stood to Valéry or Plume to Michaux, was first published in Italy in 1983, and now appears here in the translation by William Weaver, who has done such good service to Calvino.

In this book Calvino might be said to combine the extremes of realism — with wonderful and wry recognition of its peculiarities — and the extremes of modernism. But his modernism was always of the restrained sort, never for the sake of impressing. He was one of the very few contemporary writers who have tried to fulfil the demands of his times, but no more. The book is a sparse record of Mr Palomar's apprehensions of reality; not for nothing, of course, is he given his name.

It is a hugely complex work, for all its brevity, and one much more moving than might at first seem apparent. There is a key to it at the end, and that will prove increasingly important to the reader who perseveres. It is a fitting swan song, and one that must be read by every serious student of fiction.

*Self-Help* is a collection of nine lucid, terse, witty — and often tragic — stories by a new young writer, Lorrie Moore. The stories have been called, in America, cruel. But although they are laconic and worldly-wise to a very sharply satirical point, I felt that they

were the opposite: we can only be honest, and behave with feeling if we know at least something of why we act and speak as we do. Lorrie Moore's strength lies in an ability to expose fatuity, trendy thinking, mechanistic responses. She is no more cruel than occasions demand. She writes exceptionally well, implies a great deal more than she says, and has real style.

These tales are light things, though frequently exquisite: Ms Moore should have an excellent future, and connoisseurs of skilful and compassionate writing that is also intelligent will not want to miss her first book.

Hélène Cixous, who is Algerian-born, has said of her method of composition that she sees a space, so fills it. Would that many more novelists were as honest! Cixous is in fact in French terms rather old-fashioned: she is still floundering about in the sterile world of the *nouveau roman*, which was abandoned some years ago by writers who wanted to be interesting. She is a literary critic, and a very intelligent one; her virtues as a novelist are less apparent. She is a sort of French Susan Sontag.

Everything is admirable about this chantic stream-of-consciousness of a woman delving about in her own mind except the reading of it, which is singularly boring and at times unintentionally funny. The publisher's blurb, which is over-the-top, declares that *Angst* will become a "cult book." Well, it is certainly admirable in some respects—for example,

as a psychological key to the feminine consciousness. But it is not a novel, and it is exactly the sort of writing Calvino was rightly against.

But Cixous is serious, and she should be applauded at least for that. It would not be difficult to argue a quite different view of her work than the one I give here. The same cannot be said of Snook Wilson's *Inside Babel*. This is supposed to be "exuberant" comic SF, and I feel sure that this author has talents as a playwright or script-editor. This effort is unimaginably tedious and mock-profound, and it would have been a kindness to its writer to tell him so.

Stephanie Dowrick, who was born in New Zealand and has therefore been compared to Katherine Mansfield, is known here as a co-founder of Woman's Press. *Running Backwards Over Sand* is her first novel. The epigraph to it, about the common cormorant or shag laying its eggs in a paper bag, is not in fact "anon" but by Christopher Isherwood. It is a diffuse book, with some awkward writing; but it is thoughtful and well-observed.

The shadow of Mansfield, who never, however, could have allowed herself to be so long-winded—looms at times rather self-consciously over it, almost as if the protagonists were and someone determined to re-live Mansfield's life at greater length and in a different age. Nonetheless, it is a sensible and promising book. Martin Seymour-Smith

## Island story

LAST LETTERS FROM HAV  
by Jan Morris. Viking.  
£3.95, 176 pages

IT IS the Celtic part of Jan Morris which is currently uppermost. Anatomised last year in *The Matter of Wales*, the principality, a mouse that roared, is the author's ultimate topographical self-image: geography as a state of mind. The compact and quaint, however, it is not sleep. Like Bogart's Casablanca, during the war the "place was full of drug-addicts, poets, homosexuals, pacifists. God knows what." (It was in Casablanca, incidentally, that Jan Morris had the sex-change operation.)

Marco Polo visited, as did Freud — who came in 1876 "to search for the testes of the eel" (he failed). Miss Morris is the final celebrity to come across the border. As she prepares to leave, warships plough the bay; jets squeal overhead; terrorists explode bombs. Hav, its palaces in smoky light, becomes Beirut — or, Miss Morris's Welsh fantasies being what they are, Cardiff when the balloon goes up.

Roger Lewis

## CRIME

AN EXCELLENT MYSTERY  
by Ellis Peters. Macmillan.  
£7.50, 190 pages

BROTHER CADFAEL'S chronicles of life in 12th century England are always a pleasure. This time, the basic situation — fully revealed only at the very end — is hard to accept (and the reviewer cannot discuss it without giving it away): so you read the book for the excellent presentation of historical information, the clean prose, and the attractive supporting cast.

William Weaver

## Last of West

COUSIN ROSAMUND  
by Rebecca West. Macmillan.  
£3.95, 295 pages

REBECCA WEST wrote and had published nearly 20 books and thus did not suffer the book retention complex dreaded by authors and publishers alike. Yet *Cousin Rosamund* forms the third part of an enormous unfinished novel of which only the first part, *The Fountain Overflows*, was published in her lifetime.

Dame Rebecca would not or could not, form it into a final shape satisfactory to herself. This, in spite of the detailed outline which is quoted by Victoria Glendinning in her brief appendix to *Cousin Rosamund*. Undeterred by their reluctant author, Macmillan last year brought out *This Real Night* which continued the story of the Aubrey family through the final disappearance of Mr Aubrey, the tragic death of the beloved son, Richard Quin in World War II and ended with the climactic death of the dominating Mrs Aubrey.

The remaining family consists of three daughters: Rose, who tells the story, and Mary, both concert pianists, and Cordelia, their earthbound and despised sister. Between them stands Cousin Rosamund, neither artist nor earthbound but a representation of a good life-force. Around them lingers the unlikely fairy god-mother figure of Mr Morpurgo, a Jewish financier. Also enmeshed in their story are the inhabitants of The Dog and Duck public house, including Nancy, the Aubrey's protegee and daughter of the murderers, Queenie.

With such a cast of unattached women, it is hardly surprising that this last volume deals with love and marriage. First to succumb is the pure and beautiful Rosamund. Horrifying the sensibilities of Rose and Mary, she delivers herself to an ugly, vulgar, immen-

wealthy businessman. Some of the best and funniest passages describe the confrontation of these two cultures. Nestor Ganyemedios' hold-over the virtuous Rosamund is inexpressible to the sisters.

The scenes at The Dog and Duck as a portrayal of working class culture are inventive and original but remain literary. An absurd climax is reached when released, mad Queenie is married to her daughter's religious fanatic father-in-law.

Cordelia is already married which leaves Rose and Mary next in line. Mary, it soon transpires, is shocked by ideas of sex but Rose, our heroine, begins to crack up in the way of dissatisfied virgins. In a brilliantly extended set-piece, she goes to play at a country weekend concert and falls in love with a composer. Thus art joins with art and finds warmth and human fulfilment as well.

Rebecca West wanted to call the finished work "Saga of the Century." Judged as that, she failed in her task. We can see almost the entire work (a few further pages remain unpublished) the conflict that made it impossible for her to finish becomes clearer. She planned a huge thematic work. As she wrote herself:

The point is that Mary and Rose represent all that can be got out of art, all that art can do, which is not everything. There is something else, the work of the spirit which was done by Rosamund and Richard Quin. Unfortunately the difficulty of realising "the work of the spirit" in living flesh defeated her, causing Rose to become her most interesting figure and her theme distinctly lopsided. Rose's story, particularly in this volume, in her search to reconcile art with human love becomes the true subject of the novel.

If the book as a whole was to succeed, Rebecca West had to sacrifice her grand theme for this more ordinary and more personal story. Instead she failed to finish. Rose, Rebecca Rosamund—it is as if she herself, was confused by the identity of her characters. Rachel Billington



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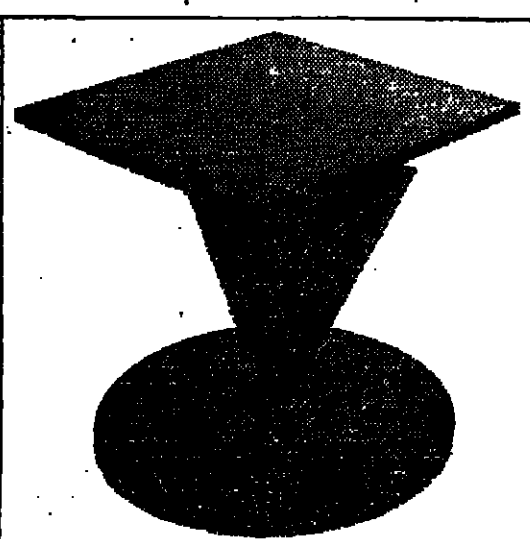
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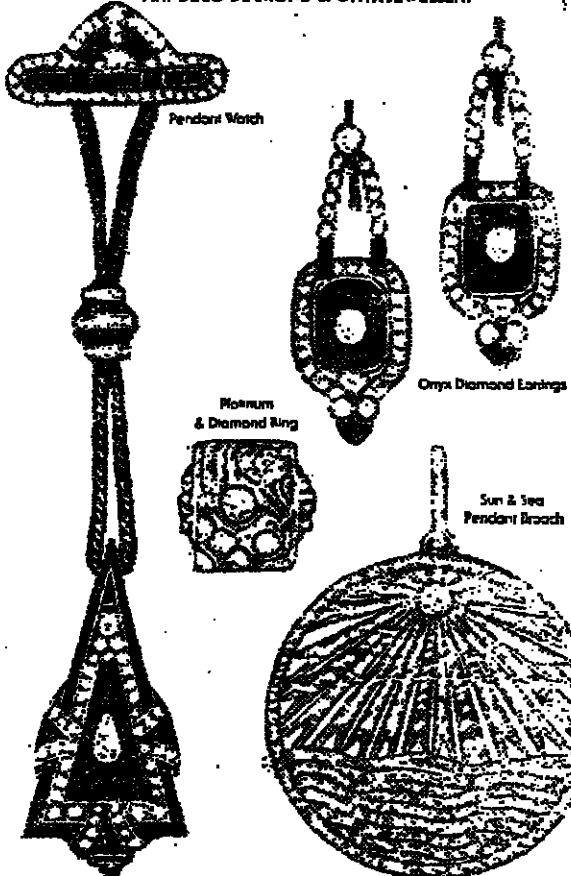
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